

CREDIT

and Financial Management

December 1945

Features in This Issue

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Does It Have Proper Security?*

*Statistical Controls of Credit
and Collection Policies*

*Important Factors in the Textile Industry
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and Financial Management

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Editor and Manager
Richard G. Tobin

Advertising Representative
S. E. McKeown
342 Madison Ave.,
New York 17, N. Y.

Advertising Manager
Clifford T. Rogers
(Major, U.S.A., on Leave)

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"He hath shewed thee, O man, what is good; and what doth the Lord require of thee, but to do justly, and to love mercy, and to walk humbly with thy God?" . . . Micah the Morasthite.

Faith!

First Published in 1938—Reprinted by Request

ONE Three hours to idle away in a far-Western town. Up and down Main Street I strolled. The Main Street was without character. Garish chain store fronts in monotonous rows. Occasionally, an individual shop attracted my attention. I passed close to the plate glass front to take a look at the proprietor. He might be worth appraising.

Perhaps the outskirts of the town might be more attractive. Why not try? I circled the village once, then again and a third time. Nine churches I counted. Six in dilapidated condition—abandoned. The shutters hung desperately to their last hinges. The front steps parted company with the sills. Broken windows. The rotting eaves housed the sparrows with their untidy nests sprawling all over the cornice.

I asked about the community. The population, I was told, had not varied a great deal in the last forty years. My imagination was spurred. Had this been the place of my birth, as it well might have been, no doubt some of the churches now so dilapidated would have been places of worship for my ancestry.

There was nothing to do but go back to Main Street. I thoroughly read and digested every part of the morning paper. It told of a stock crash, of impending conflict in Europe, of internal dissension and strife, of panic-stricken people who were looking towards the approaching winter with misgivings. Instinctively I thought of the six abandoned churches and of the world's unrest. Something went wrong with people. Something we seemed unable to correct.

This nation was carved out of a wilderness by those who have gone before us. They built our country. Our generation has been living and spending from their storehouse.

Was there any connection between their exercise of the virtues of thrift and industry and the nine churches? Did they find something fundamental in religion that convinced them idleness was sin and industry God's labor of love? Did not pioneering min-

isters preach the virtue of independence and the vice of dependence? Did not the early settlers practice self-denial to build the virtue of modesty and kindle a spirit of happiness? Did they not, in their Sabbath journey to church, feel a sense of comfort in the discharge of a duty their innate souls somehow told them was necessary if they were to be healthy and wholesome?

In times of catastrophe was there not something in their Sabbath training, as they listened to their spiritual leaders, that caused them to go forth anxious and eager to aid those in distress? Wasn't the destruction of their neighbor's barn by lightning or fire an opportunity for them to evidence respect and love for neighbor by joining together in the barn-raising? When the fields of grain were ripe in the neighbor's field, and he lay ill, did they not in some way get the spirit from these six abandoned buildings that caused them to make their neighbor's harvest without thought of sharing for their labor?

Just why did that community have nine churches, all seemingly well-supported, and just why does the present generation find it difficult to support only three? Are these six churches to be abandoned as having been a part of the old order of things?

Suppose they were reopened! Suppose all abandoned churches reopened and the pews were filled each Sabbath day. Would the world be nearer solving its problems? How difficult it is to answer this in the negative! How easy it is to assume that things would be better!

We speak of a balanced prosperity but even as we utter the words we ought to realize that true prosperity calls for a balance of both soul and body.

What is good business? There are many ideas on this. What are good politics? Ideas are even more confused. Suffice to say, nothing is good in either business or politics that doesn't have a sound foundation. Can there be a sound foundation in anything without faith?

Henry H. Heimann
Henry H. Heimann
Executive Manager



"Fighting the Flames"

An American Tragedy  *In One Careless Act*

CAST OF CHARACTERS:

FIRE CHIEF
COMMENTATOR
CARELESSNESS

FIRE CHIEF: We are losing ground—fire is gaining! Every year, it seems, there are more fires and worse fires—more lives lost and greater property damage. Something has to be done!

COMMENTATOR: *You're right—fire is gaining. In the year ending June 30, 1945, \$442,877,000 fire damage was reported. That's 10% over the preceding year and 33% increase over the losses two years ago.*

FIRE CHIEF: Carelessness is at the root of this—that's the menace we must face.

CARELESSNESS: Yes, and *what* a menace! The flick of a lighted cigarette, a pile of oily waste—and there I am starting another fire. I'm everywhere and wherever I am, I work. That's why I, Carelessness, am the chief cause of fires!

COMMENTATOR: True, true—Carelessness is far and away the biggest known cause of fires. Figures show that this menace alone accounts for almost all serious fires.

FIRE CHIEF: But Carelessness *can* be fought and licked!

COMMENTATOR: Yes, but only through constant effort. For when people are reminded to be careful, fires fall off. That's our job!

(Curtain)



Epilogue:

THE HOME INSURANCE COMPANY:

The best time to fight a fire is before it starts—join the campaign against Carelessness!

(Asbestos)

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Legal Phrases of Guarantees

Possible Safeguards in Opening New Accounts

By **CARL B. EVERBERG, L.L.B., L.L.M.**

Special Writer on the Laws Affecting Trade

C Armed with a sufficient guarantee, a businessman or a credit manager knows that he may look to two sources of payment instead of one; not only does he maintain a claim against the original debtor but he also has a claim against the one who executes the guarantee, known as the guarantor. A guarantee exists when one person agrees with another to make good any loss which the latter may suffer on extending credit or money to a third person.

When the credit of a prospective customer or debtor is questionable, the guarantee of a financially responsible person will often be sufficient to induce the seller to part with goods and merchandise to the customer. It is obvious, therefore, that a credit man may expand the sales of his company's product to many prospective customers not heretofore worthy of credit upon his or its own responsibility. The most frequent and common occasion is the case of a corporation whose insufficient working capital calls for guarantees from the individual officers or directors when their financial responsibility, contrary to that of the corporation, is satisfactory.

A guarantee may take a number of forms: for example, by formal contract, by ordinary letter, by endorsement on notes and bills of exchange. It is essential that every guarantee be in writing.

The usual type of guarantee most common in commercial transactions is the special guarantee, which is addressed to a specific party. A general guarantee is distinguished from a special guarantee by being addressed to all persons, or to anyone whom it may concern. While this latter sort of guarantee is somewhat rare, the law does establish a privity between the promisor and the one who makes advance upon the promise. However, for a creditor to obtain any rights in such a general guarantee it is necessary to be able to show that the guarantee was drawn to exhibit to any and all suppliers and that such supplier extended credit as a result of the general guarantee.

Caution As to Parties

Whoever extends credit as a result of obtaining a guarantee should make very sure that all principals to whom the credit is advanced are named. Thus, if a supplier advances credit to an individual and subsequently that individual takes in a partner, the guarantee should be redrafted to embrace the partner. The

original guarantee was executed for the express purpose of granting credit to the one individual; and the law presumes that a guarantor may refuse to extend the guarantee to other persons, even though he was satisfied with the first debtor.

By the same token if a guarantor undertakes to guarantee advances of credit to joint principals, it must stand as such. In other words, if credit to a partnership is being guaranteed, and a partner dies or a partner retires from the partnership, there is no further liability on the part of the guarantor.

A guarantee is a contract, and since a valid contract requires consideration, so a guarantee must be supported by a consideration. It is not necessary to show any benefit accruing to the guarantor; but if the creditor parts with his money or goods to a debtor in exchange of the guarantor's promise to pay, it satisfies the law with respect to consideration.

There may of course may be actual money consideration for the guarantee, as in the case of a premium for a credit insurance policy. If the guarantee is concurrent with the principal contract, then the same consideration which supports that contract (between the debtor and creditor) also supports the guarantee. An agreement on the part of a creditor to withdraw a suit is consideration for a guarantee. It may be said generally that any change of the creditor's position which amounts to a detriment to him is sufficient as consideration. Examples are: giving up some security already held in exchange for the guarantee; extending the terms of the original sale.

Requirements As to Form

Drafters of guarantees need conform to the few requirements which the courts, in passing upon cases involving the sufficiency of guarantee contracts, have laid down. The principal requisite is that it shall be a promise. Thus letters of recommendation are not construed as guarantees. For example: A may write a letter to B telling him that C is, in his opinion, worthy of credit. This is not a guarantee. And a mere request on the part of A to let B have some merchandise on credit is likewise not a guarantee because it does not contain a promise. Nevertheless, the courts have held that it is not absolutely necessary that a guarantee contain the word "promise" if the other words can be construed as a promise. Naturally in

the home-made type of guarantee one is apt to find the so-called border-line cases. The following is one that just barely got over the border, so to speak: A certain man whose brother was in need of merchandise wrote to a merchant and suggested that the latter supply his brother with goods "with assurance that any contract of his will and shall be promptly paid." The court held in this case that this writing amounted to a guarantee—10 Gratt. (Va.) 284.

A guarantee is either limited to a single transaction or must be so worded as to amount to a continuing guarantee. When a guarantee is limited to a single transaction, and the debt between the creditor and debtor has been satisfied, then there is no further obligation on the part of the guarantor on future transactions. However, the guarantee should clearly provide for the restriction to the one transaction, otherwise it might be construed to be in force until it is revoked.

In the usual run of commercial transactions, where continuing credit is sought by a prospective purchaser, the continuing guarantee must be employed. There should be no ambiguity, and clear language should be employed so as to obtain that result. The trouble always arises when instruments of guarantee appear which are ambiguous and are unlimited as to time and amount. For example: a guarantor has agreed to guarantee payment "for such goods in your line as Mr. A wants." The courts have been inclined to look upon such an undertaking as a guarantee limited to a single transaction. The philosophy behind such opinion is that a person must have some regard for his own interest, and that a reasonable man, careful of his own interests, would not become a guarantor for another person without some safeguard and protection for himself. It therefore behooves a business man to be careful of the guarantee which looks "too good." There is more safety in a guarantee clearly stated with reference to an amount and as to time than in an uncertain, indefinite writing which seemingly has no limits as to the obligation it may assume.

Restrictions As to Amount

But let us suppose a guarantee which is restricted as to amount and *not* as to time. A furnishes B a guarantee reading as follows: "I guarantee payment for any amount of goods which C may purchase from you up to the amount of \$500.00." We will say that C purchased \$500.00 worth of merchandise and paid the account and later incurred a new indebtedness for merchandise amounting to \$500.00. Is A now liable on his original letter of guarantee? The courts usually hold that this is a continuing or standing guarantee to the extent of \$500.00 which at any time might be due, until the guarantee is revoked.

It may be seen therefore that a continuing guarantee is not exhausted by advancement up to the dollar and cents limit. The guarantee is good for any balance up to that amount, regardless of the number of times the account has been renewed and paid for unless it has been revoked. Consequently, it is clear that the debtor may buy merchandise for many times the limit set forth in the guarantee and still have the guarantor

Secured Sales

This article is the first of a series by Attorney Carl B. Everberg which will cover various phases of Secured Sales. His next article will deal with Conditional Sales.

Mr. Everberg has recently returned to his old home town of Woburn, Mass., after an active commercial law practice in Pittsburgh and Cleveland. He writes that one of the first cases he received after returning to Woburn was sent by a member of one of our Associations, but in the next mail received notification that the debtor had paid in full.

Other articles by Mr. Everberg will deal with Chattel Mortgages, Lease Contracts, Assignments of Accounts, Warehouse Receipts and similar secured sales contracts.

liable up to the limit if any balance subject to that limit remains unpaid.

When Is the Guarantor Liable?

The guarantor is liable upon his guarantee on mere default of the debtor, provided the guarantee is absolute and unconditional (note Pennsylvania distinction). However, guarantor may, either by premeditation or innocence, insert a condition in a guarantee in which event the guarantor is not liable until that condition is fulfilled. For example, a guarantor may agree "to pay (the creditor) provided the debt cannot be collected (from debtor)." The condition upon which liability of the guarantor rests therefore is the uncollectibility of the debtor. It may then require a law suit brought to a judgment and execution returned unsatisfied before the creditor is able to proceed against the guarantor.

It is not necessary that the debtor know of the existence of a guarantee between the guarantor and the creditor.

A question that has been somewhat vexing in fixing liability on a guarantor is that of notice—first, notice as to the acceptance of the guarantee, and secondly, notice of default on the part of the debtor. As to notice of acceptance it is now quite generally held that it is not necessary for the creditor to notify the guarantor that he has accepted the offer of guarantee and that he is relying upon the guarantee.

There is an exception to this rule in some states, especially where the failure to notify the guarantor has worked a detriment to the guarantor. There is furthermore another rule that a guarantor should be given notice within a reasonable time after action has been taken by the creditor relying upon the guarantee.

Therefore, since most suppliers in the usual commercial business lines ship merchandise into many states and transactions may be had with debtors in the few states where the above noted exceptions exist, it is recommended that the guarantor waive notice both of acceptance and default. A suitable form will be set out herein.

What a supplier of credit would like in an instrument of guarantee however may be different entirely from what the guarantor may want to include. The guarantor may require a stipulation calling for notice of acceptance of the guarantee as well as notice as to the default on the part of the debtor in paying. If notice is required, then liability on the guarantor does not accrue until the notice provided for in the guarantee is given to him.

We have stated that, with few exceptions, the general rule is that in absence of any stipulation of notice of acceptance or default the liability of the guarantor is absolute upon the default of the debtor. Nevertheless, a prudent business man, or credit and collection manager might well follow a practice of giving notice, if for no other reason than it may be mutual benefit of all parties concerned. Thus a guarantor may have opportunity to take recourse against the debtor to protect his own interest before it is too late. What the prudent business man does for himself is frequently beyond the exact requirements of law.

It is very likely that notice is essential, even though not stipulated, in a general letter of credit for future advancements. The reason is that the guarantor under a general letter may have no means of knowing the extent of his obligations nor the maturities under same.

A Guarantor in Pennsylvania

In Pennsylvania there is a unique legal distinction drawn between a guarantor and a surety. A guarantor in that state is one who is liable only upon the happening of a condition. If an agreement makes liability conditional upon the uncollectibility of the debtor for example (such as was explained under WHEN IS THE GUARANTOR LIABLE, p. 6), then it is known as a contract of guarantee, and the guarantor cannot be held liable until some judicial proof of liability is established. An unconditional guarantee in Pennsylvania is known as a contract of suretyship and the guarantor is known as a surety (312 Pa. 7).

However, the statute pertaining to "Sureties" in Pennsylvania states that all these agreements, wherein one person agrees to answer for the default of another, shall be construed as surety contracts unless language is used to indicate otherwise, such as: "This is not intended to be a contract of suretyship."

In passing and by way of caution, a married woman in Pennsylvania by statute cannot be guarantor or surety for another (Purdon Pa. Statutes Title 48, Sec. 32). It may be well to check your own individual state on the same question.

More Than One Guarantor

In obtaining several guarantors, it is quite advisable that the form of the guarantee be joint and several, rather than joint. A guarantee which commences with

the words "We guarantee" will undoubtedly be construed as a joint contract. Guarantees that commence "We jointly and severally," or "We or either of us guarantee" will be construed as joint and several guarantees. When the opening pronoun is singular—"I guarantee"—but the agreement is executed by two or more persons, it undoubtedly shows an attempt on the part of the guarantors to be bound as joint and several, and the courts might construe a guarantee of such sort to be joint and several.

The importance of this distinction lies in the facility of recourse against the guarantors. When a guarantee is joint and several the promisee may have recourse against any one guarantor individually, or all of them as he sees fit. Where the guarantee is joint, all the guarantors must be joined in one suit to hold them all liable. Thus in case of a joint guarantee, a judgment against one of the guarantors would be a discharge of the other guarantors not joined in the suit, for the cause of action against the guarantors merges in the judgment. By choosing to sue one of the guarantors under a joint guarantee, it is implied that the holder of a guarantee does not care to pursue the others, and hence they are released. On the contrary, under a joint and several agreement, he may proceed against the one he considers most collectible and still maintain his rights against the others if his suit to recover does not produce results.

Discharge By Altering Principal Agreement

A creditor who has obtained a guarantee must thereafter be careful not to materially alter the terms or provisions of the original obligation of the debtor. For in absence of a waiver such alteration may discharge the guarantor on his undertaking. The reason for this is obvious; the guarantor promises the creditor that the debtor will fulfill a certain obligation. The guarantor's promise is predicated on the definite conditions in the debtor's contract. He has bound himself to see that much through—no more. If, therefore, the creditor and debtor decide to supplant the original agreement by a new one, the guarantor is not concerned with that; he assumed his risk on the set of conditions prevailing in the original agreement.

A change in the credit terms in the original contract, or an extension of time granted to the debtor for consideration after payment is due, discharges the guarantor.

A Comprehensive Form

Some courts have held that immaterial alterations do not in any way add to the guarantor's risk and therefore do not discharge him. But it is safest when any changes are contemplated to obtain the guarantor's consent. Better than this, it is well to obtain, if possible, a waiver from the guarantor in his original undertaking such as the following (or variation of it according to conditions to be anticipated):

This guarantee is not affected by your taking or receiving security or collateral for such payment, and I consent that such indebtedness, or any portion thereof, may, without notice to me, be extended from time to time before or after same becomes due.

A comprehensive form of guarantee is here set forth:

brief, yet definite as to period of time and amount, with waiver of notice of acceptance, waiver of the extension of credit and waiver of notice of non-payment, and waiver of alteration of the principal agreement in certain respects.

Brown and Company
Chicago, Illinois

Cleveland, Ohio
May 1, 1944

In consideration of the sale of your merchandise from time to time upon credit by you to A. B. Jones of Cleveland, Ohio, I hereby guarantee the payment of all purchases made by you to him up to the amount of \$1,000.00 from May 1, 1944, to December 1, 1944. This guarantee will remain in force until revoked by me in writing and I also waive any notice of acceptance of this guarantee and I waive any notice of any credit given or to be given to said A. B. Jones by virtue of this guarantee, and I further waive notice of the failure of said A. B. Jones to pay you for any said merchandise when due. This guarantee is not affected by your taking or receiving any security or collateral for such payment, and I consent that such indebtedness, or any portion thereof, may, without notice to me, be extended from time to time before or after same becomes due.

Witness:

H. E. ROGERS.

JOHN C. SMITH,
Cleveland, Ohio.

While a guarantee to pay an indebtedness already incurred and past due is undoubtedly rare as compared with guarantees covering future transactions, such an undertaking is valid if there is consideration. Such a guarantee is usually coupled with a prospective guarantee; to induce a supplier to whom a debtor already owes money, to sell more merchandise on credit, the guarantor includes a debt already owed in his contract of guarantee.

The undertaking to be retroactive must clearly express itself to that effect however. And the guarantor will be bound, notwithstanding the fact that he may have had no knowledge of any past indebtedness.

Guarantees By Corporations

What has been said to this point as to guarantees has been applicable only to natural persons. It will have been noted, no doubt, that all of the above forms have appeared over the signature of an individual person. And so a natural person may legally enter into a contract to guarantee the credit of any debtor, whether that debtor be a natural person, partnership or corporation. Furthermore, since a partnership is an association of natural persons, so a partnership has the same inherent rights as a natural person, and may enter into contract of guarantee.

However, the law with respect to the capacity, power, and right to enter into a contract of guarantee by a corporation is entirely different. This is due to the fact that while a corporation is treated as a person in law, it is an artificial person created by the state. It comes into being and remains in being by virtue of the statutes and acts of the state authorizing its creation. It is for this reason that a corporation cannot exercise the same rights and powers as a natural person can in the same situation, because the corporation does

not possess natural rights but only those that are expressed or implied by the state laws which created the corporation. This matter is further complicated because all states differ from all other states as to the powers, privileges and limitations of the corporations created within their respective borders.

A corporation, therefore, has only those powers which are granted to it by the statutes of the state under those laws it has been created, plus any other powers which it impliedly obtains through judicial determination. Now then, when the charter of a corporation specifically provides, in substance, that it has the power or right to enter into contracts of guarantee or suretyship for a third person, then such corporation can certainly legally become a guarantor for a third party.

It is very likely however that the majority of charters of present-day corporations do not contain any express powers to guarantee the debts of another. One reason for this is that at one time the powers of corporations were not permitted to be framed too liberally, and most corporations which organized three or four decades ago could not obtain authority in their charters to execute guarantees. Furthermore, many a corporation which might have obtained the power if it had included such provision in its application for a charter, may not have secured it through mere inadvertence.

Hence, the credit man who is contemplating obtaining a contract of guarantee from a corporation should obtain a certified copy of the charter of the corporation to ascertain first whether there is a specific stated power in the charter to execute a guarantee. And if the authority is found therein, there should be no further question as to the right of the corporation to execute a contract of guarantee. However, the question of the authority of the officers signing such guarantee is another matter. But for proof of such authority, a certified copy of the resolution of the board of directors to that effect will be sufficient.

When Powers Are Not in the Charter


Generally speaking therefore, a corporation has no power to guarantee the debts of another person or corporation unless authority to do so is specifically set out in the charter. However, there are limited exceptions to this general rule. In the first place, if a contract of guarantee is in the furtherance of the business of the guaranteeing corporation, a guarantee will be enforceable. For example, a sawmill company could legally guarantee the payment of interest on the bonds of a railroad company which penetrated the country from which its supply of timber was to be drawn (91 Ga. 636). However, this must not be loosely interpreted, for one might well presume certain indirect benefits from the execution of a guarantee which, however, would not be sufficient to bring the case within this exception. It is difficult to set out definite illustrations for the reason that the courts of the various states do not agree with each other entirely. A certain case in Illinois (140 Ill. 248) indicates that a corporation has implied power to advance money, extend

(Continued on Page 34)

Statistical Controls of Credit and Collection Policies

By **WILLIAM J. SHULTZ**

Assistant Professor of Business Administration,
College of City of New York

 A credit man may believe that he is consistently sound in his determination of acceptable and unacceptable credit risks, and that in his collection policy he pursues a policy that is properly balanced between courteous consideration and firmness. Between that belief and the fact, however, there may be considerable discrepancy. For his own guidance, a credit man should *know*, not merely believe, that his credit and collection policies are sound. When his departmental policies are under review by the management of his company, he should be able to present concrete evidence of how his policies are operating. The means of showing himself and showing the management are certain statistical control procedures.

In most lines of business other than retail, cash or C.O.D., sales are made primarily only to customers who are such poor credit risks that they are not deemed worthy of regular credit terms. A customer refused credit terms by a supplier who maintains a high standard of acceptable risks will ordinarily endeavor to obtain credit accommodation from other suppliers with less strict standards of credit acceptability. Therefore, if a customer accepts proffered C.O.D. terms, it is a fair indication that his credit standing is so low that he has been refused credit generally throughout the line, and that he is merely choosing among the various suppliers who have offered him C.O.D. terms. Under such circumstances, if a calculation of the ratio of credit sales to total sales by a credit man shows an appreciable percentage of cash and C.O.D. sales, he can congratulate himself that he is so diplomatic in his refusals of credit terms to submarginal customers that, having resigned themselves to cash or C.O.D. terms, they prefer his company to the others that have also refused credit terms.

If this ratio of cash sales or credit sales to total sales is calculated, it should be **upon an annual basis**, as any monthly variations would be attributable primarily to chance factors rather than to considerations of credit policy.

Bad Debt Ratio

A firm that experienced no bad debt losses over long periods of time would stand convicted of applying unsound credit or collection policy. Either it would be setting its standard of acceptable credit risks so high that it was turning away profitable risk categories of prospects or it would be applying so strict a collec-

tion policy that many good but slow-pay customers were driven away. For each firm there is some "sound" ratio of bad debts to credit sales, determined by such factors as its gross profit margin, the relation of its actual production to its production capacity, and the trend of business conditions. This "sound" ratio may be determined by a risk rating analysis of sales of the type described below, or by comparison with the long-term bad debt ratios of other firms in the same line of business known to have good credit and collection departments.

A word of caution must be given on using the bad-debt ratios of other firms to determine a "sound" ratio for one's own firm. The bad-debt ratio of any other firm for a single year would be of little value as a guide because of the "lag" factor discussed in the next paragraph. Furthermore, if the other firm operates on a profit margin higher or lower than one's own, its "sound" bad-debt ratio should accordingly be larger or smaller than one's own; if the difference in profit margin's is known, an adjustment can be made for the difference. There may, however, still be other differentiating factors, such as the production capacity situation.

Margin of Error in Comparisons

Calculation of the actual bad-debt ratio for a year just past, and comparison of it with the "sound" ratio, provides some guide as to whether a sound credit and collection policy is being followed, but there is a big margin of error in this comparison. Some accounts that have become insolvent may be written off as bad debts within a brief period after they have become delinquent. But some accounts may be carried as merely delinquent for many months before they are eventually written off. Consequently, a substantial portion of the bad debts recorded for a given calendar or fiscal year may have resulted from credit decisions or collection procedures of the preceding year. Yet they are compared with credit sales of the year just past, and conclusions drawn from the ratio are applied to the credit and collection policies of the year just past. Furthermore, because of this lag in bad-debt recording, a substantial change in sales volume between two years may introduce a misleading variation into the bad-debt ratio. A high volume of earlier-year sales may produce a correspondingly high volume of bad-debt losses which are compared with the lower

volume of the following-year sales, thus producing a high bad-debt ratio which actually has no relation to credit and collection policies.

To avoid these misleading distortions of a bad-debt ratio based on the actual credit sales and writing off of debts during a calendar or fiscal year, two adjustments in the bad-debt figure should be made:

1. All accounts past-due for some specified period—six months, or eight months, or ten months—should, for purposes of calculating the bad-debt ratio, be counted as bad debts. This provision will limit the lag that is involved in relating bad debts to the credit sales which produced them.

2. All bad debts should be attributed back to the year of the sales which produced them. This procedure eliminates the lag distortions noted above. As a consequence, however, the bad-debt ratio for any calendar or fiscal year cannot be calculated until after the lapse of the regular credit period plus the arbitrary delinquency period established as suggested in (1) above—from seven to twelve months after the close of the year.

What Adjustments Show

With these two adjustments made, a bad-debt ratio higher than the "sound" one for the firm will indicate either that:

- (a) The credit department's standard of acceptable risks during the year to which the bad debts were related was too high, and profitable categories of risks were probably rejected; or

- (b) The credit department's collection policy during the latter part of that year and the early part of the following year was too strict, and that good but slow-pay customers may have been lost.

A bad-debt ratio lower than the "sound" one would indicate the opposite alternatives—either that the credit department had established too low a standard of acceptable risks or that its collection policy was too lax. Variation either way from the "sound" bad-debt ratio is warning that the credit department was not functioning at full efficiency during the prior year, but the ratio of itself does not indicate whether credit policy or collection policy was at fault.

Trend analysis of a firm's bad-debt ratios over a short series of years will not, by itself, indicate whether its credit or collection policies are becoming more strict or more lax. General business cycle developments, and particular regional and trade developments, as they affect the solvency of the firm's customers, are likely to influence the bad-debt ratio more profoundly than change in its credit and collection policy. Such trend analysis, however, would give an indication whether a credit department had successfully maintained flexible credit and collection policies that were duly adjusted to changes in the outlook for their customers' line of business. A credit department could rightly take pride in the record of a series of bad-debt ratios that stayed close to the "sound" ratio for the firm; it would indicate that excellent forecasting had been done, and that credit and collection policies had been effectively geared to anticipated changes in the conditions of the customers' businesses.

The credit department of Talon, Inc., prepares quarterly an analysis of its accounts receivable by their customers' agency ratings. Such a tabulation shows where the credit department is currently setting its margin of acceptable credit risks, and indicates to some extent the sales volume attributable to the marginal class of risks accepted. It is a valuable guide when issues involving the balance of sales volume and credit risks are under consideration. A tabulation of this sort based on sales instead of accounts receivable would be a more accurate indicator of credit policy and its relation to sales volume, but would be more costly to prepare.

Credit Rating Analysis

Were bad debts likewise tabulated by the agency's credit ratings of the customers at the time they incurred these obligations, and were such a tabulation cumulated over a number of years, a credit department would have a good indication of what its "sound," bad-debt ratio should be. Such a tabulation would establish what the marginal class of acceptable risks should be in view of a firm's own profit margin and other related factors.

Comparison of the bad debts of acceptable classes of risks with the sales to such acceptable risk categories, or with the receivables of such categories multiplied by the firm's receivables turnover ratio, would indicate the ratio of bad-debt loss that could be expected from sales to these acceptable risk categories. This would be the "sound," bad-debt ratio for the firm.

Collection Ratios

The usefulness of the bad-debt ratio as an indicator of the soundness of a firm's credit and collection policies is mitigated by the long lag before the ratio can be determined. As was indicated above, from seven months to a year must elapse before the ratio for a prior year can be determined. A more immediate, though less accurate, indication is provided by the ratio of collections to credit sales which may be calculated annually, quarterly, or even monthly.

The ratios of a firm's collections to its receivables and of its credit sales to its receivables also reflect the efficiency of its credit and collection policies. But in addition, these two ratios also reflect, to a very substantial extent, its terms of sales. If two firms had identical credit sales and collections, but one sold on 30-day terms and the other on 60-day terms, the former would have only one-half the volume of receivables shown by the latter. Therefore the collections/receivables and credit sales/receivables ratio of the former would be double those of the latter, even though their standards of credit acceptability and collection policies were identical. A difference in the proportion of cash discounts between two firms would similarly give them different volumes of receivables and different collections/receivables and credit sales/receivables ratios, though their credit and collection policies might be otherwise closely comparable.

Since the computation of a collection ratio is made for the purpose of comparing efficiency of credit and collection policies rather than the effects of terms of

sale, the collections/credit sales ratio is the only one that should be calculated. Note that in financial statement analysis, consideration is given to receivables turnover—i. e., the end-of-year receivables/sales ratio. The reason for the use of this collection ratio in financial statement analysis is that it is the only collection ratio that can be calculated from the data given in most financial statements, and also that a customer's terms of sales have an important bearing on his comparative financial strength.

If the total of a firm's collections for the year are divided by the total of its credit sales, infallibility in credit judgment and perfection in collection technique—i. e., a consistent record of payment by every customer on or before his due dates—would produce a ratio close to 100 per cent. The reason for the "perfect" percentage being not exactly 100 per cent is that, because of the lag between sales and collections thereon as a result of the terms of sale, sales made during the last months of one year may result in collections during the early months of the next year, and the sales of two successive years may not run parallel. Thus, assume that a firm giving 60-day terms of sale made exactly \$10,000 sales each month during one year, \$10,000 sales each month during the first ten months of the next year, and \$11,000 sales during each of the last two months of the second year. If its collections were "perfect" in the second year, they would amount to \$120,000, since exactly \$10,000 would be collected each month. This figure for collections would be divided by \$122,000 of sales, since sales in each of the last two months of the year were \$11,000 instead of \$10,000. This would give a "perfection" ratio of 99.4 per cent. If sales in each of the last two months of the second year had been \$9,000, the "perfection" ratio would have been 100.5 per cent.

When "Perfect" Warns of Bad Policy

"Perfect" collections, however, like a "perfect" record of no bad debts, would be an indication of bad credit and collection policy. Sound credit policy involves extending credit to risk categories that produce some bad debt loss, and sound collection policy involves a leniency towards slow-paying customers that sometimes results in losses that harsh policy might have prevented. A "sound" annual ratio of collections to credit sales should fall short of 100 per cent by the amount of the "sound" bad-debt ratio for the firm, plus or minus any adjustment for lag factors.

Should the actual collection ratio for a firm for any year be below its "sound" ratio, the credit department has notice, as in the case of an excessive bad-debt ratio, that its standard of acceptable credit risks may be too low, or that its collection policy may be too lenient. There is a third possible explanation of a low collection ratio, however, that does not exist in the case of a high bad-debt ratio—the firm's collection policy may have become more lenient during the year, with the result that some collections that would otherwise have been made in the year do not get recorded until the following year. This last possibility is not necessarily an unfavorable one; the earlier collection policy may have been too strict, and by easing it the credit depart-

ment is approaching a sounder collection technique. Of course, if the previous policy had been sound or too lenient, a further softening would definitely be unfavorable. A collection ratio higher than the "sound" ratio would indicate either too high a standard of credit acceptability, or too harsh a collection procedure, or a stiffening of credit procedure.

Collection ratios may be calculated quarterly, or even monthly. These continuous ratios provide a credit manager with a current, but loose, indicator of the results of his credit and collection policies. There can be no consistent "sound" ratio which can be used as a standard of comparison of these quarterly or monthly ratios, because of the distortions produced by seasonal variation of sales and the lag resulting from terms of sale. Current monthly or quarterly collection ratios may be compared with those of other firms in the same line of business with similar credit terms and a similar pattern of seasonal sales variation. Such comparison with several other concerns will not determine whether a credit department's policies are sound, but it will indicate whether they are in line with the credit and collection policies current in the line of business. Or a firm may compare its current quarterly or monthly ratios with those for the corresponding quarter or month of earlier years. If its terms of sale and the seasonal pattern of its sales have remained the same, such comparison will indicate whether its credit or collection policies are changing and in what direction.

Delinquency Ratios

Instead of collections, or bad debts, the volume of past-due accounts may be compared with credit sales for a specified period—a year, a quarter, or a month—and some norm may be established, by the firm's own experience or by the comparative experience of other firms in the same line of business, that will indicate "sound" credit and collection policies. A lag factor is involved in this comparison also, so that there will be annual and seasonal variations from the "sound" norm that will not reflect credit and collection factors, but variations in the volume of sales. This lag factor, however, is less marked for delinquency ratios than for collection or bad-debt ratios, since the delinquency of a past-due account occurs sooner after the sale than its collection or its becoming a bad debt. Therefore, the lag factor is less of a distortion in delinquency ratios than in collection and bad-debt ratios.

Allowing for the lag factor, a delinquency ratio that exceeded the "sound" figure would indicate either a too liberal credit policy, or a too lenient collection policy, or a collection policy that was becoming more lenient. Contrariwise, a low delinquency ratio would indicate a too strict credit policy, or a too strict collection policy, or a collection policy that was becoming stricter.

Aging of Accounts

Accounts are "aged" when the amounts due on each are set up in accordance with the periods they have been outstanding.

Account aging is a common accounting practice,
(Continued on Page 28)

Will Cotton Remain King?

Some Factors in the Textile Outlook for the South

By **EARL N. RAUBER**

Senior Economist, Federal Reserve Bank of Atlanta

C Last year, in an article in the *Monthly Review* of the Federal Reserve Bank of Atlanta, I tried to call the attention of Southern policy makers to a conflict of purpose that seemed to be developing with respect to the economy of the South.

On the one hand, there stood the evident intention of some of our leaders in Congress to continue their support of the Government policy of maintaining domestic farm prices at higher levels than those of the world—that is, at levels considerably above those that would prevail if the forces of supply and demand were allowed to express themselves freely.

On the other hand, there stood the policy of industrialization on which the most enlightened business leadership of the region had pretty generally committed itself. Everyone conversant with economic conditions in the South is convinced that the region's prosperity is closely bound up with the growth of industry.

The welfare of agriculture itself depends to a great extent upon an increased measure of industrialization. The rehabilitation of Southern agriculture requires, among other things, an increase in the average size of farm so that the socially desirable soil conservation practices and farm diversification programs that have long been advocated may be feasible.

Industrialization Necessary

An increase in the average size of farm, however, and the adoption of a more extensive type of agriculture implies a large exodus of people from farm employment and their absorption in non-agricultural work. More industry, therefore, is a necessary condition for the long-run improvement of agriculture itself.

The two goals that are thus being pursued—political protection of the farmer's price, and the movement toward industrialization—may, under certain circumstances, become mutually incompatible. Especially is this so when the price that is being protected happens to be the price of the basic raw material of the region's most important industry. This is the case with cotton and the cotton textile industry.

A dilemma thus emerges—the attempt to shield the cotton farmer from the vicissitudes of a free market for his staple is at the same time a threat to the cotton textile industry which has in the past served to absorb surplus farm population and thus relieve the pressure on the land. It seemed—last year—that the effort to

help the farmer was being made at the expense of the region's most important existing industry and also at the expense of the long-run good of the farmer himself.

The shape of this dilemma was given in practical terms by the passage of the Reconversion Bill in which the parity loan rate for cotton was raised from 92½ per cent of parity to 95 per cent, and by order of the War Food Administration to the effect that the Commodity Credit Corporation would purchase the 1944 crop at 100 per cent of parity. At the same time, there were press reports of certain large Southern cotton manufacturers planning to reconvert their mills to the production of rayon as soon as their war contracts expired. Whether true or not, these press reports indicated precisely the reaction that might be anticipated to the cotton price program.

Seek Still Higher Parities

The conflicts of interest within the various branches of the cotton trade became so critical as a result of the price support policy that the Pace Sub-Committee on Agriculture called together representatives of all groups concerned with cotton for hearings last December. The purpose was to work out, if possible, a program that would satisfy all parties. No practical program, however, emerged from these hearings.

Now, just about a year later, the whole issue is raised once again by two bills now before Congress—Senate Bill 507, introduced by Senator Elmer Thomas of Oklahoma, and House Bill 754, introduced by Representative Stephen Pace of Georgia. Both of these bills would, if passed, have the effect of raising the parity price of cotton from its October 15 level of 21.7 cents under the current formula. The increase would come about as the result of including the cost of labor among the things which the farmer buys. The bills differ, however, in the base period upon which parity would be computed. The Thomas bill would base parity upon prices paid by farmers in the period 1919-29, while the Pace bill would retain the present formula's base period, 1910-14. Under the Thomas formula the parity price of cotton on October 15 would have been 30.5 cents a pound, and under the Pace bill it would have been 28.4 cents a pound. The parity price, of course, would be further raised by any increase in the prices of other things that farmers buy, and such increases

are more than probable in the inflationary situation that now exists.

It is apparent, therefore, that the situation that seemed critical last year threatens to become more so this year. The future of the cotton textile industry, therefore, promises to be one bedevilled not only by ordinary economic forces but also by a politically-determined price for its basic raw material. Any appraisal of the outlook for the cotton textile industry must therefore take account of the distortion that this factor will probably introduce into the general economic relationships of the industry.

Demand Is Basic Factor

The most basic factor in this or any other industry, of course, is the public demand for its product. The great growth of the cotton textile industry during the nineteenth century rested upon an expansion of demand arising from a rapidly increasing population, and a growing national income—especially an increase in the income of low-income groups that permitted a greater per capita consumption of cotton goods. In 1840 the per capita cotton consumption in the United States was 5.6 pounds per year. By 1880 this figure had risen to 14.7 pounds and by 1900 to 23.1 pounds. In the years immediately preceding World War I, however, it was becoming apparent that this era of great expansion of demand was drawing to a close. From 1905 to 1914 the per capita consumption of cotton was about 26.6 pounds a year. The war raised this to 30.2 pounds, but in the period 1920-24 it was back to 25.6 pounds. In the prosperous period between 1925 and 1929, cotton consumption per capita amounted to 27.6 pounds, and in the period of extreme depression between 1930 and 1934 it was 21.4 pounds.

With per capita consumption tending to level off at about 25 pounds a year in peacetime, further increases in demand can come only from a growth of population, an increase in exports, new uses for cotton goods, or from encroachments on the markets of other commodities.

What prospects these factors hold out in the future is debatable. Before the recent war, population was increasing at a rapidly decreasing rate and the day when we would have a stationary population was not many years ahead. During the war, however, there has been an increase in the rate of growth of population and the point at which we would reach a stationary population has been postponed somewhat. Nevertheless, it would seem unlikely that the future holds anything like the expanding market for cotton goods that was witnessed during the past century.

Effect of Costs on Industry

Whether or not increased exports, new uses, or encroachments on the markets of other commodities will expand the markets for cotton goods in the years lying just beyond the reconversion period will depend upon factors of relative costs and prices. In so far as the price support program affects these factors it will tend to shape the whole future of the industry.

When Congress sets out, as it has for the past sixteen years, to confer upon raw cotton by legislation a

value that is denied it in the world market, the first and most obvious effect, so far as the textile industry is concerned, is to raise the unit costs of cotton goods for manufacturers. It is a great temptation for an industry that is extremely price-conscious to believe that the artificially high price of cotton matters little if only the prices of finished goods are free to rise commensurately. Such an attitude is easily explained by the wartime experience when the textile industry was caught between rising costs and more or less inflexible price ceilings. It was not until late last year that some relief was given when OPA began acting on the provision of the Stabilization Extension Act that required the prices of cotton goods to reflect parity prices for cotton.

Protected prices for agriculture, however, antedated price controls over manufactured goods and they give every evidence of outlasting these controls. The important question is: Will the industry be able to recoup higher raw materials costs by way of higher prices when bothersome price ceilings are gone? In other words, to what extent can the textile industry pass on increased costs in the form of higher prices? Whether or not this can be done depends upon circumstances.

One of these circumstances is what economists call the shape of the demand curve—the elasticity or inelasticity of demand.

We have said that there is an evident tendency for the per capita consumption to level off at about 25 pounds a year. If this is so, it would indicate a relatively inelastic demand. This means simply that people tend to buy the same amount of the commodity regardless of whether price is high or low. It is true, of course, that they would buy less at higher prices than at low prices, but not proportionately less. Under such conditions higher costs could be reflected in higher prices without any appreciable decline in the volume of sales. Just how much consumption would be reduced by any given increase in the price of cotton (assuming that the increase is passed on) cannot be said with any precision. In 1937 the Marketing Section of the Agricultural Adjustment Administration estimated that a rise in the price of raw cotton from 10 cents a pound to 15 cents a pound would restrict consumption in this country by a little more than a million bales—about 1/6 of what was then the normal consumption. That is to say, a 50% increase in the price of cotton would be accompanied by only a 16.7% decline in consumption. If this degree of inelasticity could be counted on in the future the industry could easily recoup its higher costs by way of higher prices.

Synthetic Fibers as Competitors

The trouble, however, is that this condition is rapidly disappearing, because of the appearance of many substitutes for cotton in the market. Every week seems to bring forth new ones. At the Pace hearings in Washington last year a dramatic exhibit of synthetic and other substitutes for cotton was presented that made the cotton interests gasp. The effect of this increasing number of substitutes is to increase the elasticity of demand for cotton.

Where any group of commodities exists in which

the individual commodities can be easily substituted for one another their prices tend to cling together within a relatively narrow range. The level of prices will then tend to be governed by the one that can be produced the cheapest and the width of the price range among them will depend upon the ease of substitution. Under such conditions, the price of cotton goods is not governed by its own cost of production, but rather by the cost of producing the most easily substituted competing commodity. To attempt to charge prices that will fully reflect an artificially high price for cotton would serve only to shift demand from cotton to its competitors.

Another factor that may prevent the industry from freely raising prices to cover its artificially high raw materials costs is the highly competitive nature of the industry with respect to its internal organization.

Ordinarily, when an industry, expanding as this one did during the nineteenth and early twentieth centuries, encounters a demand that tends to become more or less constant, competitive forces within the industry tend to bring about an equilibrium between demand and productive capacity. There was some evidence that this self-corrective process was beginning to operate in the cotton industry when World War I intervened to check it. Indeed, wartime profits served to finance still further expansion.

The expansion of plant capacity continued up to 1925, chiefly because of growth in the South. In 1925, total spindles in place reached the maximum of 37.9 million. In 1921 there had been 36.6 million spindles in place, of which 36 million were active at some time during the year. In 1939, 25.3 million were in place, and 23.7 were active at some time during the year. Thus, during those 18 years between 1921 and 1939, despite a loss of 11.3 million spindles, the number of *inactive* spindles rose from about 600,000 to 1.5 million. This meant a growing problem of excess plant capacity.

Fewer Spindles; More Cotton

Actually, the problem was worse than was indicated by the number of inactive spindles alone, for there was both an increase in the number of hours a spindle was operated and there was also an increase in the technical efficiency of the active spindles. In 1922, for example, the average active spindle operated 2,810 hours a year. In 1942, it operated 5,786 hours. With respect to increased technical efficiency, in 1922 the average active cotton spindle spun 88.1 pounds of cotton; in 1942 it spun 243.5 pounds. The amount processed per spindle-hour increased by more than one-third.

The effect of the presence of excess plant capacity, which the industry has so far been unable to control, is to sharpen internal competition. Excess capacity provides a continuing temptation for the producers holding it to salvage part of the overhead expense involved in this idle equipment by plunging into production whenever the market provides the slightest justification and thus to overproduction. In order to market the excess product, some mills are inevitably tempted to cut prices below total costs, and their competitors are then forced to follow suit.

The intensity of competition in an industry burdened

with excess plant capacity thus has the effect of placing an effective ceiling on mill prices that can rarely ever, except in boom times, be much above the cost to marginal producers but may easily be below that level.

Under such competitive conditions, producers can earn a profit or, in the case of high-cost mills, break even only if they are successful in lowering their costs. Such a reduction in costs may be achieved by a greater than average expertness in buying raw cotton, the cost of which constitutes about half of the total cost of the finished product. Or it may be achieved by a reduction in labor cost that amounts to about $\frac{1}{4}$ of total cost. Such a reduction in labor cost can be brought about by depressing wages where wages may be freely cut, or it may be brought about through an increase in the productivity of labor without any reduction in wage rates. It is obvious, however, that there are distinct limits on the possibility of compensating for high raw materials costs by any such practices, especially in view of the general acceptance of collective bargaining and high minimum wages on other social and economic grounds.

Result of Parity Program

If, now the cotton textile industry finds itself unable in the years ahead to pass on the artificially high price of cotton in the price of its own products, because of an increasing elasticity of demand, and because of the violence of competition induced by excess plant capacity; and if the high raw materials cost cannot be fully compensated by other internal economies—what, then, may be the result of the parity price program?

Well, for one thing, the industry itself may migrate to other countries where cotton is cheaper. The maintenance of the domestic price of cotton above the world price has already succeeded in pricing American cotton out of a substantial share of the world market. In the 1914-15 season the United States contributed 64% to the world production of cotton. In the 1938-39 season, the last before the recent war, this nation's contribution had fallen to 40%.

Something similar could easily happen to the cotton textile industry. In 1913 the world total of spindles in place was 143 million. By 1939 the number had risen to 146 million. During that same period, however, the number in the United States fell from 32 million to about 25 million. In 1913, in other words, the United States possessed 22% of the world spindleage, but in 1939 it possessed but 17%. During the past three-quarters of a century, the industry has shifted from New England to the South in very large part. This migration was largely in response to lower costs. If we persist in a policy of increasing the industry's most important cost, we may succeed in driving it beyond our own shores. In seeking to perpetuate an uneconomic type of agriculture we could well succeed in dealing a mortal blow to the South's leading industry.

The danger to the textile industry, however, is minimized by many mill men. It is only cotton that is threatened, it is said—not the textile industry *per se*. What is more likely to happen is that mills will merely shift to the processing of other fibers. If rayon, for example, is selling at 25 cents a pound and without

wastage, while cotton sells for 23 or 24 cents a pound with a waste factor of 10 to 15 per cent, the logical thing for a mill to do is to shift to the production of rayon. This can be done with very little mechanical adjustment. This is certainly true—in part. But all of cotton's competitors are not of this sort. Some of them like sheet plastics and paper would by-pass all the processes ordinarily found in the textile mills of today. In so far as this happens, a part of the investment tied up in existing plant would certainly be destroyed.

May Hasten King Cotton's Downfall

Perhaps the migration of the industry or its change-over to synthetic fibers and other textile materials is what should be expected in the long-run anyhow. Even so, it would not seem that part of wisdom to unduly hasten such changes by artificially supported prices. There is difficulty enough in the South in creating industries fast enough to absorb the population which cannot find an adequate living on the land. The artificial acceleration of economic movements is apt to result in serious social problems with which we are not yet prepared to cope.

In conclusion, then, it may be said that the textile industry has a vital stake in the outcome of the cur-

rent efforts to revise the parity-price formula upward. The continuance of this policy will face the industry with a most critical situation as things look at present.

In a way the cotton textile industry now finds itself in the same position as the farmer when the Government began coming to his rescue. Like the farmer, it now has to buy in a protected market, and, like him, sell in a highly competitive market. The arguments that have been used in defense of a price-support policy for cotton might be used with equal cogency in behalf of the textile industry.

To try to offset the effects of one mischievous policy by another equally mischievous would really be no gain. To give comparable protection to the cotton textile business would involve controls over all competing fibers, controls over production and plant capacity, and more controls over international trade than now exist. To anyone who really believes in a free and competitive capitalism such a solution is utterly repugnant. The cotton textile industry is experiencing—and will experience still more in the coming year—the disastrous effects of a policy that, by law, makes prices tell a lie instead of allowing them to express the real demand and supply situation.

In the long-run we will all be better off if, instead of introducing more arbitrary distortions into our price structure, we get rid of those we now have.

National Prosperity—Whose Responsibility?

CIn an address before the National Association of Securities Commissioners in Chicago on Nov. 16, Paul G. Hoffman, president of the Studebaker Corporation and chairman of the Committee for Economic Development, made some very pertinent remarks about this important subject.

"To understand the nature of the problem that lies ahead, we should face the fact that the overwhelming proportion of the immediate expansion in employment must come in the field of private enterprise. Historically, the Federal Government has provided approximately 5 per cent of total employment, while state and local governments have provided another 5 per cent—a total of 10 per cent for government at all levels. No one wants to see this percentage increased; in fact, many would like to see it decreased. Therefore, consideration must be given to the development of a program which will encourage private enterprise to achieve record-breaking levels of production.

"Despite the optimistic forecasts one hears, we should harbor no delusion as to the ease with which this needed expansion in production can be attained and maintained. Called for is a free flow of ideas and willingness on the part of hundreds of thousands of enterprisers and millions of investors to risk many billions of dollars. These investments must run the gauntlet of the market. Some will prove profitable, some unprofitable, and much new as well as old investment will be lost in the process. Incentives must be provided for the risks to be undertaken, because unless those risks are assumed, new production plans will not be carried out and new jobs will not be born:

"I should like to say with all possible vigor that in a free society no rival has been found in peacetime for the profit incentive as a dynamic. It enlists the ingenuity of millions of people in the search for products and services for which customers will part with their dollars. No other incentive has been so successful in stimulating the inventiveness and resourcefulness of so many people. A reasonable hope for profit is essential to healthy and vigorous free enterprise—the most promising basis for the creation of abundant and varied opportunities in productive jobs.

"I repeat, the task of attaining and maintaining national prosperity is a tough one, and if we are to accomplish it I think as a first step it is important that we recognize that no single group or agency can assume sole or ultimate responsibility for its accomplishment. It is a responsibility shared by all participants in our economy—employers, labor leaders, agriculturists—by government and by individuals.

"Because I have spent so much time talking about responsibility of government, I should like to reiterate a statement I made earlier—namely that the task of attaining and maintaining national prosperity is a tough one and can be achieved only if all elements in our society meet their respective responsibilities and recognize their interdependence. Furthermore, we, the people, acting in our individual capacities, must meet our individual responsibilities. It is going to take courage, imagination, and toil on the part of all of us to realize our goal."

The World Looks at the United States

As Others See Us in International Trade

By **WILLIAM L. BATT**

President, SKF Industries, Inc.

IN Two months ago I had just returned from Europe. My ears were still ringing with what some of my frank-speaking friends in London and Paris had said about my country. They had tried to look at the United States as dispassionately as I had tried to look at their countries. So, you won't find it surprising that I decided to begin this philosophizing with the familiar quotation from Bobbie Burns: "Would that God the gift would give us to see ourselves as others see us."

Other countries do not consider us less deserving of criticism than we do them. They do not comprehend why we do many things we do, and why we leave undone many things we ought to do. Our people must understand this as a part of the tolerance and patience required as we seek to arrive at international agreement.

Once, we were the land of promise, of milk and honey. Today, we are a giant. We are seen by many people as a friendly giant; but a giant is something you always keep your eye on. Too, today there are probably people and nations who actively, deeply dislike and distrust us; it may be assumed that the great enemy nations whom we have helped to defeat hold a burning hatred for us. Look well at the eyes in those "impassive" faces of the people left in Nagasaki and Nuremberg.

Peace Based on Understandings

There is the measure of our job of understanding and peace building if we are to avoid other conflagrations in future years. I take it that this must be done if the world is to experience peace. The one overwhelming question is how this is to be brought about. The apparent failure of the London Conference of Ministers of State to reach a mutual understanding has profoundly troubled many of us. Coming so soon upon the ending of the terrible war, when all the horrors of armed conflict are still so painfully clear, most of us had assumed that ready agreement on broad principles, at least, was to be taken for granted.

If Russia, Great Britain and the United States cannot agree now, we ask ourselves, how can one hold any hope of agreement as the months and years go on, and the ties that held us together for mutual safety become less and less binding.

Let me say here that I have no more detailed information about the background of the London meet-

ing than you have, and any observations that I may make come only from a background of experience I have had in dealing with the Russians and the British, and I, too, read the newspapers.

Russia Does Not Know Us

First, let me comment that arriving at agreement with Soviet Russia on any controversial issue has not been easy even during the war, is not now easy, and, in my judgment, is not likely to be for a good while. In saying that, I most certainly do not put all the blame on Russia. It is frequently just as hard for her to understand us as it is for us to understand her. Our motives and purposes are not always easy for another nation to read. Indeed, we are not always clear about them in our own minds. I read, with particular interest, a recent column by Walter Lippman in which he emphasized the clear-cut conflict in our national thinking on many questions fundamental to international amity.

As Russia looks at her position vis-a-vis the rest of the world, and particularly against a background of a most unhappy quarter-century, one must, I think, accept cogent reasons for her suspicion and distrust. They exist for a whole host of causes. The Russians have a racial background wholly unlike ours; their language and ours have little in common; we have not largely travelled in their country, nor they in ours; their social, political and economic thinking of the last generation has sometimes been distasteful to us, and we have thoughtlessly, and frequently ignorantly, criticized them in a tone which they have regarded as intolerable. Even today, an occasional American, who ought to know better, rashly suggests that armed conflict with Russia is probably inevitable, so why not now?

The trouble with that sort of thing is that the Russian doesn't know how to evaluate it as we do; it is simply incomprehensible to him that such idle and irresponsible comments would be permitted unless they had some authority behind them.

These, and a thousand other deep and long-standing differences, produce a state of mind in the Russian that cannot possibly be allayed by a few kinds words from us, or by a few meetings between the heads of states. The only way they can be allayed, in my judgment, is by a persistent effort on our part to arrive at a fair national policy—one which, while fair to ourselves, is fair to the rest of the world, of which

we are a vital and essential part; by a determined and patient effort on our part to make that policy understood, and, assuming that it is really fair, to make that fairness clear to other nations. Above all, we must not change that policy from administration to administration, unless fundamental conditions have substantially changed.

Wishful Thinking No Help

Fairness, firmness and consistency in United States international policy will be understood in time by the rest of the world. Then, inter-governmental agreements can be made and kept; but that simply cannot happen overnight nor merely by that wishful thinking that is one of America's weaknesses.

We must, as I said, clearly recognize the fact of our overwhelming strength—a strength at this moment so greatly in excess of that of any other country in the world or any likely grouping of countries, as to be a matter of grave concern to the rest of the world. How will we use that power in the years directly ahead? Whatever our international program is, will we consistently follow it, and can they plan accordingly?

Europe, Asia and the Far East have suffered incalculable damage in production facilities, in housing, in lives. Their standard of living, never up to ours, has fallen sharply; the means of recouping these losses are unclear and uncertain. They cannot overlook, and we should not, the dramatic dissimilarities between their economic situation and ours. To simplify this comparison, it is not, I think, inaccurate to group all of the European and Asiatic world on the one side and the United States on the other. They have suffered heavy loss of life and property; their current assets are drastically reduced; their production facilities are sharply impaired. They are literally short of everything. The one thing that is not likely to be a problem for them is work for their people. Unemployment is not likely to cause those national leaders their sleepless nights.

Now turn to the United States for dramatic contrast. Ample credit; the bulk of the known gold reserves of the world; a production machine twenty billion dollars larger than at the outbreak of the war; plenty of materials and the greatest aggregation of labor and management skills that the world has ever seen; a standard of living high and capable of being raised much higher.

And, with all that, our one concern, by contrast, is whether or not we shall be able to find work for our people. Is it any wonder that the rest of the world looks at us with apprehension and uncertainty? For one thing is quite certain, and that is that American post-war economic and political policy can profoundly affect, for better or worse, every one of these four hundred million odd people.

How Britain Looks At Us

To the British, as a particular example, our economic policies are of the utmost significance. We are their largest market, and when Britain doesn't export,

she doesn't eat. Half of her food supply must come from abroad—many other of her critically needed supplies as well—and these are principally paid for by her exports. So, when her best customer is not buying, as we couldn't in the '30's, then Britain inevitably finds herself confronted with depression, too. Because so large a part of her national income is affected by export and import trade, she is vitally interested in world price levels. Prospects of abnormally high or low prices will profoundly disturb her. She will see a need for orderly controls over raw material production and distribution to prevent burdensome surpluses, price demoralization and unemployment, and will consider some of our reactions to these problems as emotional and unrealistic. The attitude in the United States toward the cartel is an example in point.

There have certainly been many international cartels in vicious restraint of trade and so against the public interest. The thoughtful Briton and European will condemn these as we do; but he will also say that we fail to distinguish between such abuses and agreements arrived at, either under the auspices of government or privately in the public interest. To him, burdensome international surpluses are something which can only be dealt with by concerted action—the tin situation in the '20's is a case in point—and cannot be lightly disposed of by assuming that they will take care of themselves through the normal play of competitive forces.

Fearful of Our Economics

It will not be surprising, therefore, if many of our British friends fear an emotional and haphazard, unintelligent economic process in the United States, for they realize that the results may not only produce depressed conditions here, but likewise abroad.

Here is another point.

Our attitude towards those in high places in government always puzzles an Englishman. To him, the feeling of bitterness which so many otherwise intelligent Americans had toward Mr. Roosevelt and his administration was simply incomprehensible. When they dared be frank, it seemed completely disloyal.

I was particularly struck by the attitude of most of my British business friends toward their new Labor Government when I arrived in London the week after that striking vote had been counted. I suppose it is not inaccurate to compare it with what had happened here in 1932, except that the swing there was even greater, and the change in political philosophy apparently more far-reaching, yet there was no animus and no personal bitterness toward any of the new British leaders.

Their proposals for nationalization and the prospect of a Socialistic government were not easy to accept, but they were clearly the will of the people; and business leadership, recognizing itself as the trained mind of the country, seemed to think of nothing other than to make the best of it—as they so frequently said—“We've got to make it work.”

One of the outstanding attributes of the British character and, too, one of the reasons for British national strength, is that willingness to subordinate per-

sonal difference to national unity. It is this quality which, in considerable part, makes possible their unified governmental policy and gives them such great strength in international bargaining. I must confess to considerable exasperation with those of my fellow-Americans who are so given to the easy expression—"We must look out that the British don't out-smart us." The fact is that they, all too regularly, do out-organize us in their plans for joint meeting or negotiation, and this hurts, for efficiency of organization we like to think of as our particular specialty, and to be obliged to admit that another nation beats us as it is a hurt to our pride. But, too much of the time it is true, as most Americans who have had the job of dealing with the British, particularly during the war when there have been so many things to work out together, will admit.

Why, you may ask, is that true? We aren't ready to admit that the British are more capable than we are, or naturally a smarter or more alert people. Indeed, a good many of us with a little smirk have thought just the reverse.

Government As a Career in England

The answer can be found, I think, in Britain's form and rewards of government, plus a civil service system of a very high order. Government, there, has always provided a distinguished career for an Englishman; there are ample rewards, not alone financial, but honorary, and together they are sufficient to attract and hold men of great ability. My opposite on the Combined Production and Resources Board is Sir Henry Self. He is a shining example of what the British Civil Service possesses. His career in government has lasted some thirty-five years. He is a highly learned man, in and out of government, with several earned degrees in physics and philosophy. He is a man of great wisdom, and his experience in governmental administration has brought him a knighthood. Sir Henry is no conspicuous exception—he is a product of a national determination to conduct government on the highest possible level.

Such men have great effectiveness in their own right, but they would be the first to insist that they are only a part of a governmental system which lays great emphasis on a common policy. This policy is formed by the Cabinet, is of sufficient importance, but always it is deliberately and positively formed at some appropriate level.

A cabinet secretariat in Britain will have as its first job that of acquainting every affected agency, both at home and abroad, with this policy and how it is to be interpreted. The British are heavy users of the telephone and cable, and this information moves across the board with high speed.

I recall meeting one of my old American associates in London not long ago; he was on a new job in the Middle East which involved much contact with the British out there. I asked him what his experience with them was—did they cooperate readily and exchange information freely? His answer was not surprising to me, who had seen so much of the British way of working. He said, "They have been amazingly

cooperative with me; from the beginning we've been on a 90-10 basis. They put in 90 per cent of the information; I put in 10 per cent and, generally, they get all of theirs in before I do."

Uncle Sam Hard to Deal With

With our efficiency in industry so generally admitted over the world, they find it difficult to see why we do so inadequately in our political and governmental administration. I have heard thoughtful Europeans comment frequently that, with all of the goodness of heart of the individual American, no government is so uncertain to deal with, by and large, as that of the United States. Some of the reasons are easy to find. Our traditional insistence on a balance of power between Executive, Legislative and Judicial makes the determination of most national policy both difficult and uncertain. It is a long time before one can be clear that the last word has definitely been said.

Just by way of illustration, it may interest you to know that during the war the British kept a supply mission of about 600 people in Washington, and the Russians 1,000. When, after liberation, the French mission arrived, there were only twelve.

A British friend told them that they would have to expand very quickly if they wanted to achieve anything in Washington because, in dealing with the American government, "it is necessary to see every official on every level of government almost every day if you would keep abreast of policy and policy application."

You may think that this is academic, and only something that would interest students of governmental machinery, but I tell you it is not. The questions that are today left unanswered—or in delayed answer—in our incoherent, badly organized governmental set-up are questions that are being uttered in the arresting tones of human concern.

The cry of a hungry child may yet have a peculiar way of rising above the humdrum of our machinery that seems to lack policy and hence direction. In dealing with the vast wake of war human problems—food for the hungry, coal for the shivering, shelter for the homeless—we are giving one of history's unhappy examples of good intentions going haywire.

The world of our friends and enemies is in want. I saw actual patches on the coats of some of the high government men I talked with in London; I was told in Paris that the infant mortality rate, the number of babies who die, in more blunt words, was double the usual rates there last winter. I wonder how many will die this winter for want of our coal and food and clothing?

Our intentions are good; we want to do something. It is our fumbling, duplicating, inarticulate governmental machinery that is a principal obstruction.

A Shortage of Trained Men

For any who may be interested in pursuing this question further, I heartily recommend the reading of Finletter's searching analysis under the title "Can Representative Government do the Job." Finletter has a

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Importance of Systems In Business

A Scientific Way to Speed Operations

By **EDWARD N. HERR**

Management Counsel

President, Cleveland Chapter, The Society for the Advancement of Management

C When anyone starts to talk or write seriously these days, he frequently begins by defining his subject. The reason for this, of course, is that the language we use for communicating ideas is a very imperfect thing and, if you want people to understand you accurately and follow your train of thought readily, you have to agree on the meaning of the terms you use or, in other words, standardize your means of communication.

Now, in a sense, I have already defined my subject because I am discussing standardized means of communicating ideas as applied to the business world. Whenever people act together in any way that requires them to use their brains, it is necessary to have some means of communicating ideas. Thus one skilled man with a common language can tell a number of inexperienced people how to do practically anything, and that is the way most businesses begin.

When more people are employed, when they work at different places and different times or when the work is wholly or partially repetitive, it becomes advantageous to adopt highly standardized languages and procedures of communication, and it is these mental networks that I refer to as systems.

The importance of systems in business can hardly be overestimated, and is certainly much greater than one might judge from the amount of time and emphasis that most business managements give to them. In fact, it may not be exaggeration to say that systems are the most important single element of modern business. Let me give you a few reasons why that seems to be so.

Why Systems are Important

All useful human work is made up of three elements in varying proportions: physical work that needs no mental attention at all, mental work that is strictly creative and non-repetitive, and mental work devoted to following an established system. There are almost no tasks that are purely physical or purely creative, but there are many tasks that are almost 100 per cent system work, and the proportion of system work tends to increase with the size of the organization, its geographical expansion, its productive efficiency and the number of shifts worked. In all but the smallest businesses it seems evident that time devoted to system operation is the major element of cost.

The cause of this condition is the second big reason why system is so important—the fact that it enables us to practice the principle of division of labor. System makes it possible for people, by working together, to do things that none of them could do by himself and also enables them to produce more than the sum total of what they could produce individually. Without system, not even the most capable people and the most automatic machinery can produce anything but confusion.

A further reason why system is so important is that it enables people to improve their individual skills and abilities. System and habit are almost indistinguishable from mental and physical skill. System helps you to remember; memory is necessary to learning; to learn is to acquire ability or skill which, once properly acquired, may become instinctive or habitual. System, therefore, is the basis of all training and, similarly, all system work tends to train the worker, whether deliberately or incidentally. This fact deserves more recognition than it usually receives.

Systematized work requires the worker's mind to follow a prescribed path repeatedly and to be exposed to the same influences over and over again. This result in the formation of thinking habits, which can be either helpful or harmful. Good thinking habits not only make a more efficient worker but affect one's suitability for promotion, his capacity for handling emergencies and his general stability and contentment. Since no one is immune to the effects of repeated mental stimuli, it is obvious that all business systems are a prominent factor in that continual training process we call experience.

Building Good Will

In addition to affecting the mental stability and contentment of employees, systems are an important factor in industrial relations for two other reasons. A new employee's first job with a company is usually composed of routine or system tasks. Furthermore, every new employee comes in contact with other systems or lack of systems in the process of being inducted into the organization and getting settled in his job. The impressions formed in this period are the foundation of his opinion of the company, and it is important to make that opinion a good one.

One of the best ways of maintaining morale is to

enable detail workers to see how their work contributes to and affects the primary functions of the organization. This can be done by signs, literature and talks, but there are also many opportunities to use the repeated impact of various systems to keep people conscious of the value of their work. The field for developing the habitual association of ideas through the ordinary routines of business is very largely untouched, but offers possibilities at least equal to the other methods at no cost.

Because of the characteristics already mentioned, systems play a not inconsiderable part in public relations also. Printed and verbal evidences of systems enter into almost all outside contacts, where the need for clear understandings, favorable impressions and efficient cooperation is probably greater than in internal affairs. Such bits of systems are frequently more convincing advertisements than any amount of paid space or three-color art work because they show you in your working clothes and your week-day manners.

Here we have five excellent reasons in support of the claim that system is the most important single element of modern business. It accounts for most of the cost, it enables the division of labor, it is the foundation of training and it is a potent factor in both employee and public relations. If another reason is needed, we may turn to the fact that it is a system of communication which enables us to store up knowledge, formulate the sciences and so produce all the remarkable physical equipment without which modern business would be impossible. That system, of course, is language, which is a necessary part of all other abstract systems, as will be discussed later.

What Management Can Do

There can be little doubt about the importance of system in business. Next to technical competence in his field, the greatest need of any executive or manager is the ability to organize or systematize, but not all of us possess this ability to our satisfaction. The obvious questions then are: how can we improve our skill with systems, what do we need to know and what should we do?

The first part of the answer is that the executive or manager can at least have a proper appreciation of the role that system plays and can lend the weight of his leadership to the recognition of its importance by every member of his organization. It is neither necessary nor desirable that every executive be a system expert any more than he should be a lawyer or a research scientist, but he should make sure that his associates and employees are as respectfully attentive to systems as they are to laws and technical facts.

This recognition on the part of management may take the form of a staff officer or engineer whose primary responsibility is to design or approve all systems, including forms and equipment, and supervise their installation and maintenance. To do an effective job this person must have a good general knowledge of all functions of the business, considerable aptitude for and familiarity with systems of various kinds, plus analytical ability and ingenuity. He must also have enough scope, diplomacy and backing to enable him to

coordinate system work in all departments of the company.

Where it is impractical to employ a separate person for this work an alternative is to centralize the same responsibility in one qualified officer or employee who can handle it on a part time basis, with perhaps some outside help. It is better to have the function defined and focused than to have it divided and kicked around among a number of people as is the usual case. Of course, if a specialist is employed, he should be on the staff of the chief officer or, in a very large organization, might report to a vice president or the controller.

In any event, the person responsible for system work needs to be qualified for the job. Beside having a clear appreciation of the functions of system which have been discussed, he should have some practical acquaintances with psychology, a working knowledge of the principles of industrial engineering and a good command of language. To these general qualifications we can add the specific skill or knack that comes from experience. Sometimes help may be obtained from the advertising department on questions of psychology or typography and from the engineering department on layouts, flow of work or other matters in the field of industrial engineering.

Words and Codes

Since systems are standardized methods of communicating ideas, their smooth operation depends to a very great extent on standardization of language. Language in system work is comparable to the current in an electric circuit, which must be suitable to the generators, transformers, lines, motors and other equipment if the circuit is to function properly.

It is perfectly evident that the American language is not standardized but, on the contrary, is in a perpetual state of change, with new words and meanings being added all the time. Many of these new words and meanings, incidentally, originate in some business organization, where they are adopted to meet a need for standardized language, after which they spread out and eventually get into the dictionary, in which process they often lose their original accuracy.

In working with systems in business there are several ways of partially overcoming this lack of uniformity in the general language. First, we can choose words carefully, paying attention to the peculiarities of the people who use the systems. We can provide definitions of words that are subject to several interpretations, as is customarily done in making a chart of accounts. We can create our own words and assign definite meanings to them, or we can do substantially the same thing by using a code composed of letters, numbers, colors or other symbols.

The design and adoption of efficient codes is a field that offers broad opportunities for the improvement of system work, especially in large and medium sized companies where you find from ten to more than one hundred different numbering or coding systems in one organization. When a business is small, codes are not of much immediate importance, and consequently many firms have started code systems that are not capable of expanding with the business without be-

coming unwieldy. In other cases, conflicting codes have been adopted by different departments of the same company. Sooner or later, if the business prospers, these situations either have to be corrected or they become a source of unnecessary cost, delays and errors.

Coding of numbering systems should not be used unless they actually simplify the work, and then all the major codes in each company should be coordinated and made as nearly self-explanatory as possible. This seems obvious, yet I know of one company that had different codes for drawings, parts, tools, and patterns in the engineering department and still different systems of identification in the sales department and for accumulation of sales and cost data in the accounting department.

In another case, part numbers ran into more than fifteen digits, whereas proper system design would have done a better job with seven or eight and would have saved millions of writing strokes, thousands of man hours and hundreds of errors. It is not easy to make a change of code in such a case, but it can be done without too much confusion by planning, ingenuity and patience. The ideal thing, of course, is to start right when the business is small and avoid the necessity of making expensive system changes later.

Getting Started Right

When starting to design any system it is helpful to keep in mind that you are working with mental concepts, ideas of information, if you please. Until you have worked out the flow of these mental impulses to produce the desired result, there is no reason for giving much consideration to the forms, machines or equipment that may be needed to implement the system. On the contrary, there are some good reasons for not considering such things until the system itself is clearly in mind, although it is not always easy to separate the two.

To arrive at a clear understanding of a system, it frequently helps to make a written outline, which also facilitates discussion of various points, provides the skeleton for a working manual and serves as a check list for future inspection of the system. The best way to make such an outline is to start at the finish and work backward because a system, like a machine tool, must produce certain products or results and it must do this at a certain rate and with proper accuracy. Furthermore, beginning with the system results brings up the question of whether or not the system is needed at all, and you save a lot of work when the answer comes up negative.

It has been said that there are only two valid reasons for keeping any business records: either to make some necessary act possible or to improve the performance of some necessary act. The ultimate test of necessity of any act is to consider the consequences of not doing it. All features of systems should be subjected to these checks before they are adopted and periodically thereafter if good system efficiency is to be maintained.

Getting back to the outline, it may take the form of answers to questions somewhat as follows:

1. For what use or uses is the information needed?

By whom?

How will it be used?

2. What information is needed?

At what times?

At what places?

How accurate must it be?

3. What facts are needed to construct the information?

Where can they best be obtained?

How accurate must they be?

4. What operations are necessary to construct and transmit the information?

In what sequence?

In what volume?

How accurate must they be?

5. What checks and balances are needed to insure the specified degree of accuracy?

System Equipment

One advantage of making an outline of a proposed system is that it facilitates the selection of mechanical equipment and the design of forms. If all the proposed operations have been critically examined for ways of eliminating or simplifying, the buyer's job is to choose equipment to do specific things in what you believe to be the best way, and he does not have to spend much time considering equipment that is not well adapted to your plan, no matter what its other selling points may be.

We are inclined to assume that mechanization of system work is always a good thing, and we are apt to buy equipment that will do things we don't really need to have done. Mechanization is not always the most economical move, and the proper analysis of your system work will show where it should and should not be employed. One common source of waste is the tendency to use equipment just because it is available, and another cause is the purchase of standard equipment or systems without making a sufficient study of requirements.

No matter how well systems are planned to begin with, they tend to develop minor changes with use. It is human nature to do things a little differently from time to time without thinking of the possible effect on someone else. Sometimes, if a system involves several people, and if each one makes a few little changes in the way he does his work, the net result will completely destroy the accuracy and dependability of the final system products. On the other hand, when conditions require a change in the end product, it is necessary to be sure that all supporting changes are made and all the participating workers notified.

For purposes of system control as well as for training employees and expediting routine work, it is advantageous to prepare system manuals or charts or both; and here your original outline is a great help. Such manuals can be made either for each job or for each system, but the best way is to make them for each system in loose-leaf form and then regroup the sheets for each job or each department. This expedites training and enables you to make minor changes in systems without having to rewrite an entire manual.

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The Service Point of View in Business

Its Importance as a Success Factor

By J. E. BULLARD,

Special Writer

C Obviously, no person or no corporation can continue in business unless a profit is made. From this fact it could be assumed that profit is the first consideration in business. Experience, however, has demonstrated there are other factors to be considered.

A very successful life insurance agency was under the management of a man who always devoted a lot of time trying to impress upon each new agent he was rendering a great service to humanity by selling life insurance. This man had learned, through his own experience in selling life insurance and through training new agents, that such a point of view resulted in more insurance being written than was the case when the agent thought primarily of the commissions he was earning, of the profits he was making. In those days a life insurance agent was pretty much on his own. He virtually was in business for himself. The main difference between him and other businessmen was that he could start with a smaller investment.

Fifty years ago stereoscopic views were sold in very considerable volume. It was the custom for the salesmen who sold them, often from house to house, to take orders, buy what was needed to fill the orders and to deliver and collect for the views. These salesmen were in business for themselves to an even greater degree than were the life insurance agent.

The largest company in the stereoscopic view business found it paid it to employ a man who did little, if anything else, than to inspire the salesmen with the conviction they were rendering a great service when they sold views. A good collection of views, it was pointed out, possessed great educational value. People who could not afford to travel could see the world by means of stereoscopic views if they had the proper collections for so doing. When the views were supplemented with suitable maps and guide books, arm-chair tours could be made through any part of the world one desired to visit without the discomforts and expense of actual travel. This company was convinced that the increased volume of sales which resulted from the work done, in the effort to create a service point of view on the part of the salesmen, more than paid the salary of the man and his assistants who did the inspiring.

The Real Business Incentive

Apparently, the average person will work harder and

do better if he or she feels a real service is being rendered than is the case when net profits, alone, are considered. It should follow, therefore, that the man starting a new business will have a better chance to succeed if he is convinced that his business is rendering a real public service. In a small city which now has a population of only about 13,000, there are at least three prosperous business concerns which appear to bear this out.

Something over a hundred years ago, a doctor in this city started a little drug store for the purpose of rendering better prescription service to his patients. He was not especially interested in the profits he made but did realize there must be a profit if the store was to continue in business. Because the main object was to render service to those who wanted prescriptions filled, he selected the young men he employed with greater care than otherwise might have been the case. He spared no pains to inspire them with the service point of view. When, finally, he gave up all his financial interest in the business, the senior partner of the partnership which took it over had benefited by long training under the old doctor. The spirit of service was firmly imbedded in the firm. It still is. Though actual ownership has changed hands two or three times, each new manager has been trained in rendering service to the public. Today, this drug store not only is the oldest in the city but does the largest volume of business and is the most profitable.

Next door to this store is a stationery store which, also, is in its second century of existence. Shortly after George Eastman placed roll film on the market, together with film cameras, the nephew of the man who owned the store at that time became enthusiastic about photography. He not only used a camera himself and did his own finishing but persuaded his uncle to start a photographic department. He was allowed only a rather meager stock and he had to do all photographic finishing after store hours. This man now owns the business and states that the main reason why his photographic department continues to be the largest one in the city, in his opinion, is that he was so interested in photography, at that time, he wanted to render the maximum of service to beginners toward the end they, also, would become enthusiasts.

The third firm manufactures toys. Three generations back it was an iron foundry but the owner of the foundry started casting iron toys for his own chil-

dren to play with. Other children who played with his and those iron toys told their parents about them and wanted toys like them. First, as an accommodation, toys were cast for others. Gradually, the toy business increased, though little or no effort was made to make it grow, and eventually only toys were produced. No longer are cast iron toys manufactured since pressed steel has taken the place of iron. The business has grown and prospered. Here is a business which came into existence through a service idea, was started, grew and became permanent because a man made an effort to make his children happy and, also, was willing to help make his neighbors' children happy.

Seeks to Really Help Customers

When a business man is imbued with the spirit of service he is inclined to study his customers more and to serve them better than he does when all he considers is the profit which he can make. If he feels he is a purchasing agent for his customers, he strives to be the best possible purchasing agent, to buy only what they will want and in quantities they will take off his hands without too much persuasion on his part. If he considers profits first, he may be inclined to buy that which gives him the best margins. He may buy in larger quantities than he should toward the end he can get the biggest discounts.

A few years ago a young man took over a drug store which his uncle had been operating for a number of years. He started out with a high degree of enthusiasm but it appears he placed profits before service. At any rate he is often out of exactly what a customer wants, even those things which have become standard in drug stores. If a customer asks for a given brand of some medicine or drug, the chances are that brand will not be in stock even though it is in competing stores. The young druggist is prone to suggest and try to sell some substitute on which the margin usually is higher. At any rate, more and more customers gain the impression he is trying to sell something which is inferior to that for which they have asked. When he first started in business he paid his bills promptly and took all discounts. Gradually, he began to get behind and, today, his business is not so attractive to those who sell to him as is that of some of his competitors. Whether or not he remains in business only the future will reveal.

Those who change from one line of business to another because of the bigger profits they hope to make have a habit of failing. Farmers who have gained a competence on the farm and have set aside enough to take care of their old age have sold their farms, moved to the city, invested in some small business and gone broke. A study of such cases indicates one of the main reasons for their failures was that they failed to realize that a certain degree of service must be rendered in any business to keep it solvent. City business men who have accumulated a retirement fund but who sell their businesses, buy a farm and hope to make money, make the same mistake the farmers do when they come to the city to start in business. A certain amount of service, a certain degree of service mindedness on the part of the owner is absolutely essential

to the continued success of any business enterprise.

A boarding house for college boys was operated by a widow. She had sons of her own. She took a real interest in those college boys, most of whom were far from home. If any one of them happened to be confined to his room by illness, not serious enough to call for his removal to the hospital, she prepared such meals as he could eat and either took them or sent them to his room. She proved to be pretty much of a mother to all those who roomed in the house. She did so well financially that when she was ready to sell the business she obtained a good price for it.

The new owners expected to make a lot more money than she ever did. After all, she lacked business experience, did a lot of things which were not absolutely necessary and was not too efficient as a bookkeeper. They were all business. After they took charge there was no more of that motherly business. There was an increasing degree of complaining on the part of the boarders. The new owners lasted only a couple of years and instead of making all the profits they had expected, lost practically all the money they had invested. The main difference between the widow who made a real success and the man and wife who bought the business from her was in the attitude toward service. One took a real interest in the boarders, the customers. The others were interested only in what they could get out of them.

Look for This Service Spirit

Wherever the service idea exists, there is always an effort to do the little things that please. Where it does not exist, these little things are likely to be neglected. Just the little things can make the difference between success and failure. Among those who start new businesses in this postwar period there will be those who expect to make a lot of money in a hurry. Few, if any, of these can be expected to succeed. There also will be those who are imbued with the idea of service. These will study their customers. They will search for ways and means to please them. They will not neglect the little things. They will learn more and more about the businesses in which they are engaged and they will work hard. They will have good chances of succeeding.

A man had a little machine shop in which he did work for the mills in his village. When electric power and lights came to be used, there was no electrician in the village, so he learned how to repair motors and to do all sorts of wiring. The idea of starting a store was the farthest from his thoughts but every little while somebody would ask him to get him something electrical and when he went to the city he not only did so but bought a few extras so he would have them on hand when somebody else called for the same thing. Before he fully realized it, he was operating a retail store and when he retired he turned over to his two sons, in addition to an electrical contracting business, a store selling electrical appliances and accessories, lighting fixtures, some hardware and paint. This business was built up through the rendering of service, by accommodating people who wanted something not then on sale in the village and who found it inconvenient to travel to the city to buy it.

Back in the 1890s the people in a medium-sized city were clamoring for a public market. The city government hesitated about appropriating the money such a public market as the citizens seemed to want would require. As a matter of fact no practical plan could seem to be worked out. All the publicity given to the idea, however, caught the attention of three men who were experienced in the retail food business. They studied the situation and became convinced they could render the service which appeared to be demanded. They called their first store a public market and operated it, as nearly as possible, to render to the people the sort of service the studies of the situation indicated to them was desired. By rendering this service, by always keeping it in mind, these men made fortunes. Of course, there were other factors which contributed to their success. Many competing companies were started after the idea proved profitable but all but one of them missed some feature which was essential. Only one of all those former competitors is still in business. The Public Market Company is still going strong.

When Profits Supply the "Urge"

Looking back now on the history of this firm, it is easy to see that those competitors who failed went into business to make a lot of money. They thought primarily of profits. They failed to study the conditions which existed. They missed completely that service idea. Their points of view were wrong. That is, this was true except in the case of the one competitor which still is in business. That firm started with pretty much the same idea of service the first one had.

One of the most dangerous attitudes which can be taken by any business man, corporation or industry is what might be called the monopoly complex. The store owner whose excuse for doing no advertising is that everybody knows where he is located and what he sells and if they want to they will come in and buy something is infected with that complex. This is diametrically opposite of the attitude of a florist who stated that he was still advertising in every medium he had ever used. His reason for doing this was that some people had become accustomed to looking for his advertisements in certain newspapers. These people had helped him prosper by buying flowers from him and he did not consider it right to deprive them of still finding his advertisements in that newspaper. Starting any kind of advertising in any medium, he insisted, then discontinuing it could not fail to cause inconvenience to some customers and it might result in losing them.

An automobile distributor built up a large business. The car he sold was low in price. It had become so popular the entire organization seemed to have gotten the notion people had to buy it. Competition, however, began to have its effect. Some people would travel a considerable distance to buy the same make of car from a dealer in some other distributing territory. Others bought cars of different makes. In the end this business was broken up. It could not continue to exist as long as that monopoly complex held sway.

In a city outside the United States a power user

complained to the electric company about his power bill. He thought it was too high. He got little satisfaction from anyone to whom he talked. It never was explained to him why his bill was high. One employe did tell him that if he didn't like electricity he could use a gas engine. Some years later a governmental unit corresponding to our states took over the electric power business and operated it. There can be little question that, to the degree the monopoly complex existed in the organizations of electric companies, the taking over of the industry by the government was hastened.

The telephone industry has spent a great deal of time and money selecting and training telephone operators who have "a voice with a smile." Perhaps one reason for changing to the dial system has been that it makes it somewhat easier to make certain that the operators still needed will have "a voice with a smile." At any rate, the spirit of service the companies have tried so hard to instill into the minds of their employes has played no important part in making the industry grow and prosper.

Why Railroads Are Losing

Had the railroads been entirely free of a monopoly complex it is unlikely they would have lost so much passenger business after 1918. The number of passengers carried by Class 1 railroads in the United States fell from 1,035,496,000 in 1921 to 452,808,000 in 1938 and passenger revenue, during the same period, from \$1,153,792,000 to \$405,476,000. As highways and automobiles were improved more and more traveling was done by car and less and less by railroad. The poorest year for the railroads, however, was 1933 when the passenger revenue was only \$329,342,000 and passengers carried 432,980,000. The streamlined, high speed, air conditioned trains which were put into operation after 1933 and the better service rendered attracted people back to the railroads. It proved much easier to lose business, however, and much quicker, also, than getting it back again.

The old time country store owner is a good example of the monopoly complex in small business. He flourished when transportation facilities were poor. He owned the only store in the village. If a new store was started, he cut prices to such a degree and over a long enough period to drive the competitor out of business, then raised his prices enough to make up any loss he had suffered. If it seemed to him wise to do so, he could continue the business which he had caused to fail under a name other than his own but exercise complete control over it. He might act as a banker for his customers, lending them money when they needed it and foreclosing the mortgages he took as security whenever he could. In this way he became owner of more and more real estate. In the course of time, such a store owner gained the impression he owned the village and the people in it. Certainly, he was in no state of mind to meet real competition. When railroads, trolley cars and automobiles made it practical for people to go to the nearest cities to do their buying, these country store afflicted with monopoly complexes were forced out of business.

That it was the complex rather than purely city competition which caused the failures is indicated by the fact that, today, in many of those villages there are stores which, actually, are attracting business from the cities. It is the service they render which brings them business. It is absence of any vestige of a monopoly complex.

At one time the ice industry not only suffered to a greater or less degree from a monopoly complex but efforts were made to create monopolies of the ice business. People turned to mechanical refrigeration in increasing numbers and the ice business never is likely to be what it once was. Some coal dealers suffered from the idea that people had to burn coal and for that reason would have to get along with the service the dealers were willing to render them. When oil burners became available more and more people turned to automatic heating with oil. Gas companies, also, found there was a growing market for automatic heating with manufactured gas. Had the ice industry and the coal industry been imbued with the spirit of service, there is good reason to believe they could have met new competition much easier and much more effectively than it turned out they did.

In its application to business the monopoly complex is characterized by the desire to get the most for the least. Profit is placed above all else. Too little thought is given to increasing or improving service. The general attitude is "let the public be damned" and charging all that the traffic will bear.

Check Up on "Old Timers"

Industrial research and more kinds and better transportation facilities have made such attitudes unprofitable in present day business. Never as profitable as they appeared to be, as is indicated by the fact that the business which is a century or more old, almost invariably, has been conducted in a spirit of service, the monopoly complex in business can only lead to failure in these times.

A study of any group of business concerns which have prospered over the years may show a great difference in the methods of the individual firms in conducting business. It might seem that some have been managed in such a manner that they should have failed long before now. Yet, they continue to prosper. The details of management will vary. The point of view of the managers, however, have much in common.

The real object of all those engaged in distribution is to serve the consumer, the final purchaser or user. It is to make it as easy as possible for these consumers, final purchaser, users to buy what has been produced. Anything done along these lines is real service. Another object is to reduce the cost of distribution toward the end that selling prices can be lowered and because of lower prices more people will be able to buy and to buy more. Such facts as these will have to be given more and more consideration in the future if the standard of living is to be raised. All this means every person connected with distribution, every employe, every owner of a business, everyone connected with management must have the service viewpoint, must realize what the real job is.

Any new business man who expects to make a lot of money quickly is not at all likely to be a good credit risk. Those who realize they must render real service, must work hard, must learn how to render better and better service, who never stop learning more and more about their customers are likely to become good credit risks even though they start with what seems inadequate capital. The point of view can mean a great deal more than the initial financing.

There are indications these facts are coming to be more generally realized in the business and the industrial world and, in the future, more attention will be given by manufacturers, distributors and wholesalers to impressing upon new retailers they are rendering a real service to the public. The service point of view has paid dividends over the centuries. The monopoly complex, invariably results in loss.

What's Ahead for Business?

C "The social planners in our midst are making a last-ditch stand. It is their claim that 'nobody knows,'" said Lewis H. Haney, professor of economics at the New York University, in an address before the Steel Founders Society of America at Atlantic City on November 19. Professor Haney said further in part: "When you tell them what good money is, they say nobody knows. When you predict the outcome of their inflationary policies, they say nobody knows. If you predict inflation, they say that you are wrong—that there *may* be deflation. Then they proceed to advise businessmen to prepare *both* for inflation and for deflation! Why, I ask, prepare at all, if you don't know what to prepare for?"

"Being convicted of *error*, their recourse is to say that there is *no* truth. When confronted by one who *knows* the laws of economics, they say, 'There is no economics.'

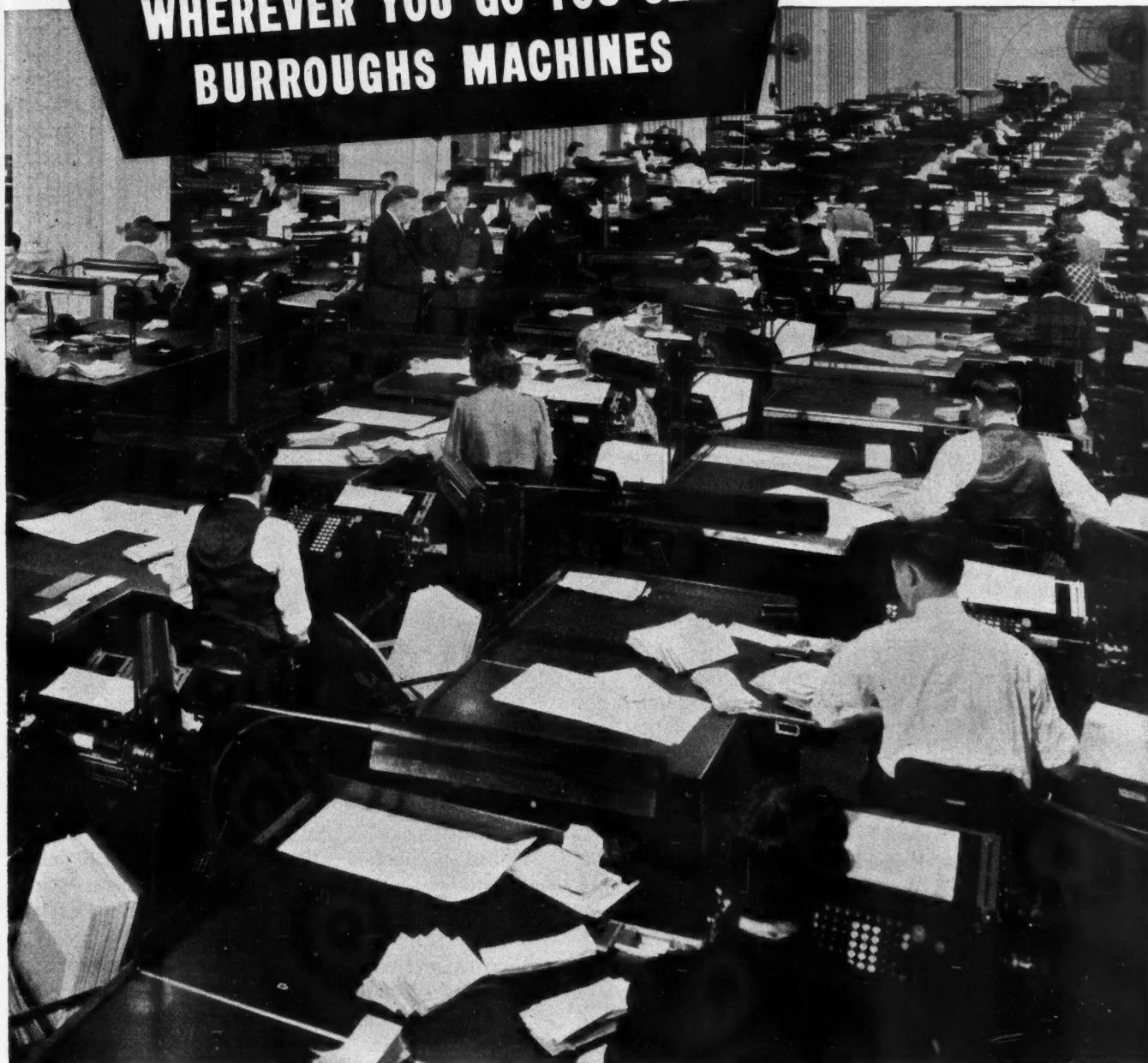
"Of course, this is a gospel of defeatism. It is cynical agnosticism. No, is the stinking materialism of the tribe of Karl Marx. These fellows are all tarred with the same stick. The only thing they know is that *they* want to run things, and when nobody knows how, the only way to run things is dictatorship!"

Professor Haney pointed out seven maladjustments which should be corrected: "As a result of the vast inflation in our currency, and the ill-advised government 'controls' that have accompanied it, we find today seven obvious maladjustments. These now cry for remedy. I will therefore refer to them as the seven great needs. The first one is—

"(1) *The need of adjusting goods to money at higher prices.* Two outstanding facts are the shortage of goods and the surplus of money.

"Surely there can be no question but that the cases of commodity scarcity are more numerous and impor-

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tant than are the cases of surplus. Among the objects which are admittedly scarce today are the following: Tin, sugar, rubber, edible fats and oils, drying oils, rosin and turpentine, paper, lumber, brick and tile, cast-iron pipe, steel sheets, jute and burlap, hides and leather, and, for a while, lead. In general, labor is short. While in some of these cases the situation will become easier before very long, there is no question of surplus.

"Only a few of the more basic materials should be classed as existing in surplus or even in abundance. These may include some chemicals, fuel oil, zinc, and raw cotton. These are, so far as I know, the outstanding cases, although some of you might add government employes.

"There is in effect only one general surplus, and that is the surplus of money. This surplus is especially significant, since it is in terms of money that all prices are expressed. Accordingly, the surplus of money, which of course tends to put the value of money down, by the same token tends to put the prices of other goods up.

"Like surpluses of other goods, the surplus of money is definite only when we assume *some given level of prices*. The only way to relieve the surplus of money is to allow the prices of goods to rise. This would *require* the use of more money to move any given quantity of goods, and would thus reduce the *surplus* of money.

"The one great fact to keep in mind is that money is not wanted for itself; that money is no good unless it is spent, and that a surplus of money (inflation) works through demand for goods.

"It follows from these points that the vast surpluses of currency today, call them what you will, must, in this country, be used for buying goods, thus implementing the unsatisfied desires that have accumulated for five long years.

"(2) *The need of adjusting one price group to another, notably semi-manufactured goods to raw materials and finished goods.* Among what you are apt to call basic raw materials, are many commodities such as the non-ferrous metals, leather, cotton yarn and cloth, pig iron, and steel bars, which are classed by the government statisticians as *semi-manufactured* products. In these semi-finished products, lies one of the great price maladjustments of the day. As a group, they are too low. They are out of line with the heavier raw material prices such as ores, raw cotton, hides, and steel scrap, to such an extent that I doubt it has ever been equalled in history. I know that this maladjustment will have to be corrected. I believe that it will be corrected through a higher average price of semi-finished goods, and that then, and not until then, will the cycle of war inflation and post-war boom be completed.

"(3) *The need of adjusting production to consumption at high levels.* This can be done only through stimulating production by allowing prices to rise.

"Probably the most seductive theory now used to defend the schemes of the social planners and OPAers, is the argument that we must continue the government's war powers until supply catches up with demand.

"It is argued that prices must be fixed and held down, until the quantity of goods available becomes so large that prices can't rise.

"This argument is plausible, however, only because it makes four big assumptions. There are four big 'ifs,' which are ignored by men like Bowles and Snyder. (It is much like urging that we must put salt on a bird's tail in order to catch him, or that the dog will catch the rabbit if he doesn't stop running after it.)

"These 'ifs' are as follows:

"(a) IF prices could be held down by government price-fixing laws;

"(b) IF prices SHOULD be kept low, in a period of scarcity of goods and vast surpluses of money;

"(c) IF, without higher prices, production WOULD increase so as to overcome all shortages;

"(d) IF it would not take so long a time, and require so much government control, that the nation would suffer from bureaucracy and debt more than it would from high prices.

"As an economist who has had much experience in such matters, I know that none of these 'ifs' can be overcome. But, unless *each* and *everyone* of them is overcome, the argument falls to the ground.

"First, the real prices actually paid have not been held down. In cases where the fixed prices have been actually enforced (quality considered), they have become mere nominal quotations. (You can't get the goods at the publicly quoted prices.)

"Second, many goods are so scarce and cost so much to produce, that, in view of the vast supplies of currency and 'liquid savings' now on hand, and the current high national income, prices should be allowed to rise. We *should* be allowed to use our money for buying goods.

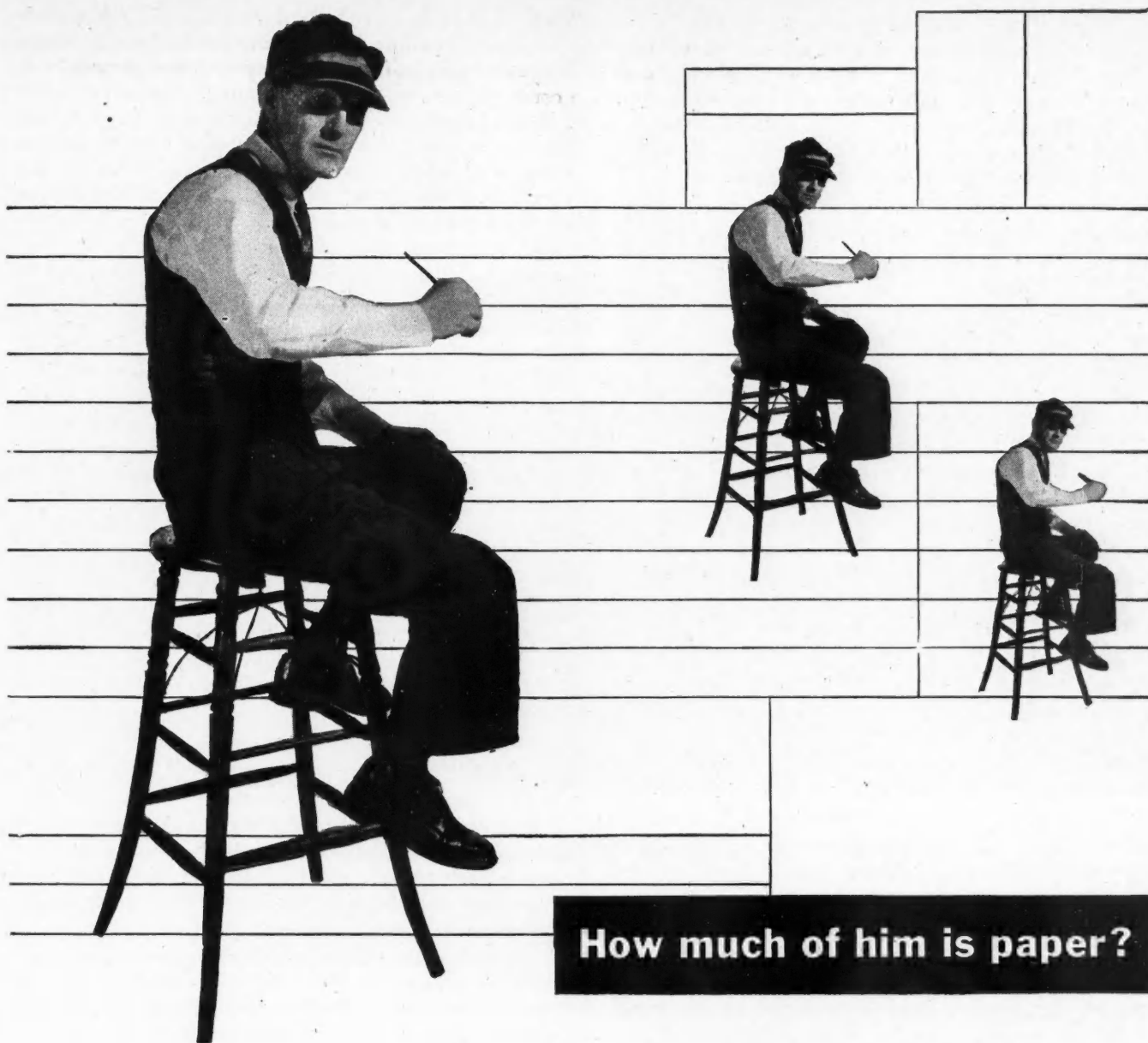
"Third, production will never increase much unless and until the prospect is for higher prices—prices which will increase the probability of good profits on expanded outputs.

"Fourth, even if by some compulsion enterprisers and investors could be induced to expand production without rising prices, the process would be so irregular and slow that meanwhile we would suffer more harm than good. Government spending and debt would be maintained. For example, subsidies and controls would have to be paid for.

"One big trouble with the wait-for-production-to-increase notion, is that it does not consider the motives and attitudes of the individual producers who must make the supplies. It is assumed that somehow or other supplies will increase rapidly in the face of fixed prices and rising wages.

"Thus it ignores the function of prices in a free economy. That function is to stimulate or retard production, as required by demand.

"In fact, supply can equal demand at any price level, high or low. What price level SHOULD BE, all depends upon (1) the desires and the purchasing power of the buyers and (2) the costs and desire-to-sell of the sellers. These are the fundamental conditions of demand and supply, and no government can control them.



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"Today, they all point toward higher prices.

"(4) *The need of adjusting wages to the productivity of labor.* The price of labor is today highly inflated. It is too high in comparison with the prices of the products of labor. It is not warranted by the quantity of the product that labor turns out. In one way or another, there must be a readjustment.

"There are several ways in which labor can make wage adaptations that will adjust the employer's pay roll expense to existing price levels, and to other expenses, as follows:

"(a) *The 'cost of living' may decline*, due allowance being made for quality of goods, so that food, clothes, and rent will cost less. To this extent, money wage rates could be reduced without real hurt to labor. Certainly labor's taxes, excises, and duties, can be much reduced.

"(b) To some extent labor's *war standard of living can be modified* without harm. Some of the more luxurious items of dress, for example, do no particular good.

"(c) Labor can secure *more steady employment* by accepting a reduction in the basic hourly wage rate, and labor's annual income would thus be sustained. There would be less substitution of machinery.

"(d) Labor can and should in some cases accept *longer hours per week*. It has been pretty definitely ascertained that in ordinary trades upwards of 48 hours work a week cause no injury to the worker, and bring maximum output.

"(e) *Less high-paid overtime* may well be accepted.

"(f) Labor will have to *accept more differentials in pay*—wider differences between high and low pay for different ability in the same trade.

"(5) *The need of adjusting interest to the costs of saving and investment.*

"Our debt-ridden government has listened to the specious doctrines of Lord Keynes, and on the wings of the easy-money policy, has sought to maintain a permanent system of deficit financing. Money rates have been reduced nearly to zero. As a result, we have had unparalleled quantities both of idle money and of idle men. The typical normal individual will not invest without interest that is somewhat in proportion to the costs of waiting and supervision, and the risks involved. So funds have been held liquid, which means idle or uninvested. As a result, there has been a lack of venture capital. The capital-goods industries have been backward for over a decade. Abnormal unemployment is thus always just around the corner. Unless and until interest rates are allowed to rise so as to express an equilibrium between the demand for capital and the supply thereof, these conditions will continue to prevail.

"Incidentally, the government is never going to be able to get its debt out of the banks and into the hands of individual investors until its bonds give a higher yield.

"(6) *The need of adjusting the nation's debt to its income*—or, if you please, the need of lightening the burden of the public debt.

"The nation has about got to the point where it can not possibly pay its way. It is insolvent. More than

that, it is on the way toward bankruptcy. There is no definite proposition for balancing the budget within any definite period of time. I doubt that it can ever be done, unless and until we go through a period of great inflation with rising prices and expanding national money income. Always when a debt becomes impossible, the debtor wants to lighten its burden by depreciating the currency in which it is payable. But our national debt has now become impossible. The inevitable conclusion must follow. With annual carrying charges of upwards of six billion dollars, with a greatly increased annual cost of military establishments, world relief, vast increases in veterans' bonuses, pensions, and the like, and a large expansion in social security, it seems out of the question to cut the annual Federal expenditure much if any below say 30 billion dollars. But on the general theory that the nation will not normally stand a government which takes much more than 20 per cent of its income, an annual expenditure of 30 billion dollars would require a national money income of 150 billion dollars. Such an income we are never going to have, unless under conditions of inflation.

"(7) *The final basic need is of adjusting our money to some standard of value.* For all practical purposes, in the present state of our knowledge, this means adjusting our money to the nation's gold reserve, or going on a gold standard.

"Economic democracy is founded upon a standard of value.

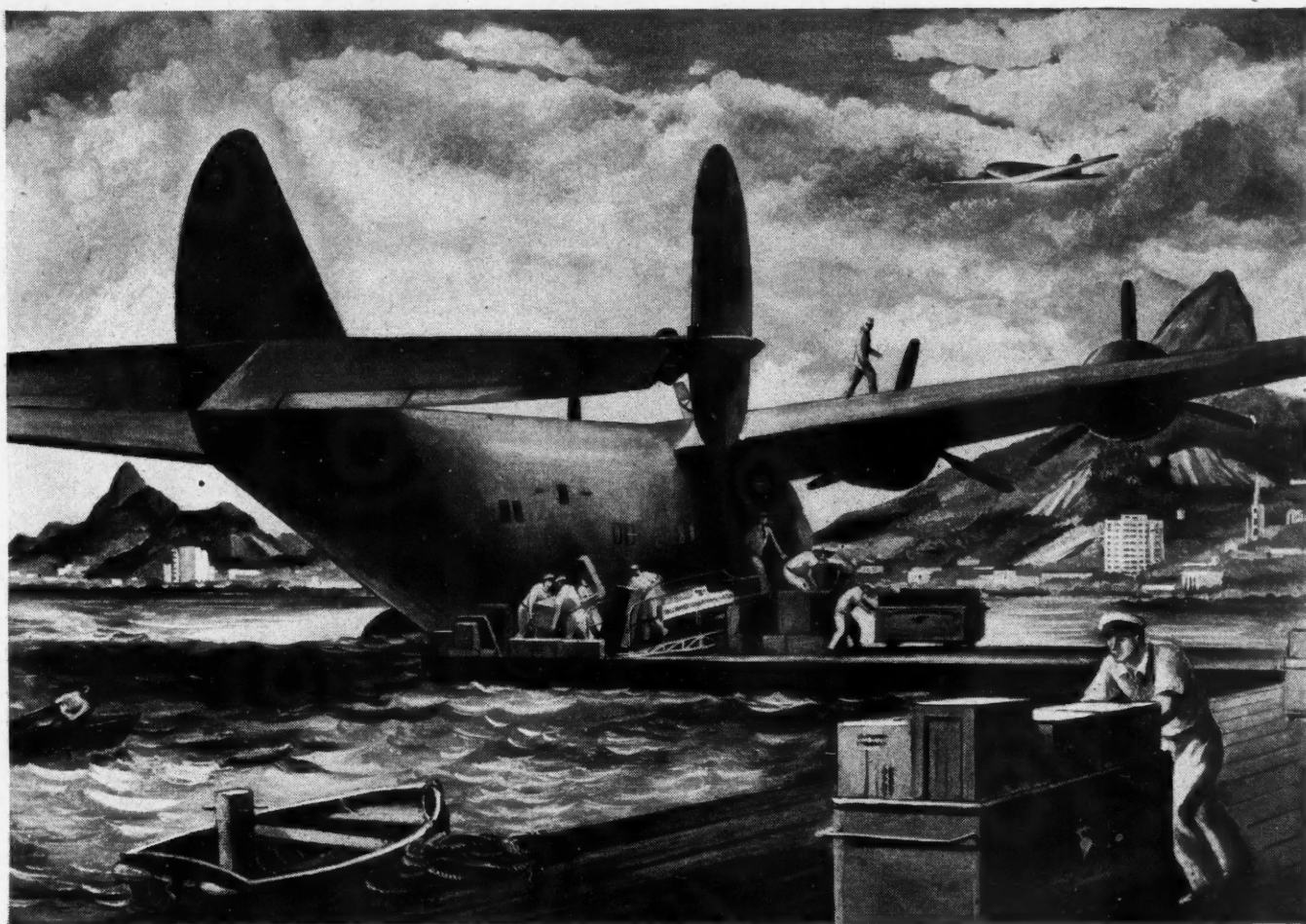
"The ideal of economic democracy is that each individual should be rewarded according to the value of what he produces, as determined in competitive markets. Such rewards are the only ones which free men regard as economically just; for they are governed by values which result from their own free choices.

"Economic democracy is a condition in which we individual buyers vote for what we want produced, by means of the prices which we offer to pay out of our earned incomes. On the other hand, the sellers, as it were, have to run for office of supplying to us buyers the products we want, on the basis of their efficiencies and costs. Thus the price system may approximate the ideal of individual freedom and democracy.

"Such a price system can exist only where there is an objective standard of value. Where the politicians manufacture money at will, they seek to control values, and to fix prices, which is a system of autocracy.

"Inevitably, in all nations and in all times, when the politicians who constitute the government undertake to run the nation's economic life, we find them eventually turning to the old army game of using the public debt as currency. Early in the 18th century, the eminent Scotch New Dealer, John Law, summed up the idea when he said that money is the sovereign's credit, and that the sovereign should give credit and not receive it—that is, the sovereign should issue his notes with no special security, and without relation to any standard other than his generosity (or need of cash).

"To sum up our great need today is to correct these seven great maladjustments by allowing the prices of most commodities to rise and be measured in an objective standard of value."



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How the World Looks At the United States On International Trade

(Continued from page 17)

keen mind, a distinguished international legal background and a considerable experience in the State Department so that his observations have come with the voice of undoubted authority.

He, too, emphasized that the situation is made the more trying for foreign governments endeavoring to work out complicated situations with us, because of our shortage of well-trained men in government. We have simply not made it attractive enough for good men to choose government as a career, with the result that the various departments dealing with high-level international policy are heavily understaffed qualitatively and much over-worked. The low salaries paid to State Department people are completely inadequate. In contrast, the British, in particular, do have these highly trained men making a distinguished career in government. When they have something to negotiate out with us, they have the means of determining their national policy quickly and of disseminating it to the affected representatives promptly.

Every American who has had to deal with the British will, I think, also subscribe to the statement that they are almost invariably ahead of us in their preparation for joint discussion. Like a shrewd lawyer who knows his case thoroughly in advance of trial, they are generally in a position to make the best for themselves out of any international situation. Then, too, the British have never hesitated to make part-time use of men of training and experience who are not in government. They regularly borrow men from industry, and from professional and academic life, for *ad hoc* jobs, and not only does government gain the benefit of such high-level ability, but equally important, these men take an understanding of government back with them into their individual spheres of influence.

One of the by-products of this war for our country has been the large number of men from every walk of life who have worked for the country in the emergency. I would seriously hope that ways can be found to utilize this great national asset in peacetime. I repeat again, to emphasize the point I made earlier, that these practices of the British are not outsmarting us; it is only that a good professional will always beat a good amateur. Until we make up our minds to have more and better professionals working for our government, we may expect our international relationships to be full of difficulty.

The problem of establishing a policy line, in advance, under which our representatives may effectively negotiate, and which another government may accept as binding, is, of course, not new. In the past, it has not been too important, but for today and the future, it is intolerable. I am very sure that our international relationships will be needlessly cloudy, if not hazardous, in the years to come, if our proper levels of government are not empowered to negotiate with other

governments with some finality. The experiment at Bretton Woods and San Francisco of having a few of the ranking leaders of both political parties in full participation in the deliberations has been encouraging. It cannot, of course, assure ratification of agreements arrived at, but it does give a certain confidence to the negotiators and to representatives of other governments that the Congress will find it more difficult to turn down proposals which their own leaders have helped to shape. I hope we can go further.

We May Be Ones to Blame

What I have tried to do is to make a little clearer, perhaps, the necessity for patience and understanding as we try to find and take our necessary place in the world economy. I have tried to point out some of our own weaknesses, as other people see them, so that we may be a little more modest. And, not least, to repeat what so many others have said, namely, that this is fast becoming "one world" in which we must inevitably take that conspicuous place fixed for us by our great share of the world's assets and energies.

That this is no longer the world of Columbus and the Mayflower is a trite conclusion, but we sometimes act as if we had forgotten it. It is only a little more than a century since New England seriously threatened to secede from the Union, when it was proposed to add the great west as an equal partner. Just as every section of this country has benefited in one way or another from that expansion and from the United States' relationship, just so can we, if our wisdom equals our warmheartedness, benefit from the world relationship.

We cannot, even if we would, avoid our high place in the affairs of the world. Let us so organize ourselves in our national thinking and national action that we may hold that place in respect and dignity, as worthy inheritors of God's great gifts.

Trade with Brazil Is Topic Of Talk at Chicago Luncheon

Chicago: Two interesting luncheon meetings of the Foreign Trade Group of The Chicago Association of Credit Men were held in the Embassy Room of the Morrison Hotel. The first on October 11 was a Members' Conference and the speakers were, John W. Schwenger, the Acme Steel Company, who spoke on, "Helping the Non-Professional," C. M. Redifer, the International Harvester Export Company, on "Farm Machinery in the Foreign Field," and W. C. Farum, the Link-Belt Company, on "I visited the New York Round Table Conference of the Foreign Credit Interchange Bureau." J. C. Hajduk, the Victor Chemical Works, conducted the question and answer period.

At the meeting on Thursday, November 8, the speaker was Rodolfo Heuser who spoke on "Trade Relations with Brazil." Mr. Heuser is a native of Brazil and is on the staff of the University of Chicago. He expects to return there soon to form an engineering company in partnership with business men there.

Small Business Plans, Binghamton Subject

Binghamton—The members of Triple Cities Association of Credit Men heard a very interesting talk on November 14th on "The Future of Small Business" by Graeme O'Geran, Professor of Economics of the Syracuse University. Professor O'Geran conducted a course in Economics in the local Association last Winter.



A Shield against Disaster

BACK IN 1845 the men who founded Royal chose a shield as an inspiring emblem of the insurance function and of the young company they were so hopefully launching.

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Importance of Systems In Business Progress

(Concluded from Page 20)

Flow charts and timing charts are other useful tools for the design, explanation and control of systems.

The job of system control is a continuous one because of reasons already cited and because businesses are always in a state of change. Your mental production line, just like your physical equipment, requires periodic inspection and maintenance to keep it in good running order and to make sure that the work produced meets the established specifications. This is especially necessary because errors in system work can sometimes escape detection for a long while and can cause serious trouble and require expensive corrections.

Such inspections should preferably be made by someone other than the operating department heads, and the inspector should use your manuals and charts as a guide and should pay particular attention to the suggestions and complaints of all the people involved. When people know that a system inspection will be made every year or so, they are less inclined to make changes in methods without proper authority, while the opportunity to register suggestions helps morale and the whole process serves to emphasize the importance of good system work and to add dignity to some of the more monotonous jobs.

Constructive Questions

Theoretical study of systems and time devoted to planning, analyzing, designing and maintaining them pay direct dividends in improved morale and efficiency as well as in developing management skill and numerous practical knacks that are useful in simplifying work. Before concluding, let me mention a few practical questions that I have found helpful in stimulating thinking when designing or overhauling a system.

Is it better to design this system to give complete information later or to give partial information earlier and oftener?

Is the information provided more accurate than it needs to be?

Is the coding or numbering system really necessary and, if so, is it the best that can be devised?

Is the language clear, or should it be changed or defined?

Does the system operation encourage the worker to think about *what* he is doing and *why*, or does it keep him busy thinking about *how* to do it?

Can graphic methods be used to save time or make the results more informative?

In our contacts with customers and suppliers, are there definite points and provisions for converting to and from our systems so as to avoid getting the codes or methods mixed?

Are we doing unnecessary work because we happen to have equipment for it?

Are we doing unnecessary work in order to make use of all the space on standard sized forms, or should some of that space be left blank?

Are our machine forms accurately spaced to permit complete writing without stopping for adjustments or making the copies illegible?

What forms should be made from plates or photographs to insure getting accurate reproduction of spacing on reorders?

Can we improve our typography or, in other words, is each form good advertising?

* * *

This list and discussion could be continued almost interminably without exhausting the subject, however I believe this is enough to establish my premise and give you some ideas that should prove helpful, if adopted. The need for better system work should certainly not be discounted because our business and economic organizations are constantly getting larger, more widespread and more complicated. As these factors increase, the amount and the proportion of system work seem to increase at a faster rate, and we soon reach the point where we need systems for managing systems. How far this can continue is hard to predict, but it seems very probable that system efficiency is the factor that ultimately limits the effective size of any organization. There is no doubt that it is a major factor in determining productivity and profits in all businesses, regardless of size.

Beardsley Ruml Has 3-Part Program for Winning World Peace

The following is a thumbnail summary of the "triple-decker" program suggested by Mr. Beardsley Ruml, Chairman of R. H. Macy & Co., Inc., and Chairman of the Federal Reserve Bank of New York, for solving the problem of the atomic bomb and achieving world peace, in his address entitled "World Trade and Peace" before the National Foreign Trade Convention at the Waldorf-Astoria Hotel in New York City, Nov. 14.

There should be three interlocking programs, Mr. Ruml says—A, a long-term program; B, an intermediate program; and C, a short-term program. They should all be launched at the same time and carefully coordinated regardless of their varying time factors.

A. The long-term program: Predicated on success in the intermediate and short-term periods, we should figure on a 20-year period in which to establish an effective world government under principles of law, justice, and human freedom.

"Such a world government cannot be imposed by force. It cannot be successfully negotiated today by the statesmen of the nations. The plain fact is that world government requires as a foundation a moral and psychological sense of world community, and that foundation does not presently exist.

"To impose or to negotiate a world government under existing conditions of prejudice and hate would do nothing more than set the stage for world civil war. The minds and hearts of men are not yet prepared for a world of law, justice, and mercy. . . . I feel that

with 20 years to spare it can be done. The hope is not that hundreds of years of history, tradition and custom will automatically and suddenly change their direction. The hope lies in the fact that it only takes a period of about a dozen years to implant a basic culture in the mind of man—the period between the age of two and the age of 14. In a psycho-biological sense, history, tradition and custom are only about 12 years old.

B. The intermediate program: this should be pointed to a period some three to eight years off, perhaps a little longer. The objective in this period is to create through the United Nations Organization the symbolism of world association and the practice of world cooperation.

"The United Nations Organization is made to order for such practice in world relationships," but "the absence of critical compulsions in the charter must arouse us to a sense of moral responsibility to go beyond the form and into the substance of world cooperation.

"Confidence in the usefulness of the United Nations Organization has unfortunately been disturbed in recent weeks by some who were disappointed in their hopes that world government in much stronger form would be drawn up in San Francisco. Because they did not get what they wanted, they are impatient with what we now do have.

"The United Nations Organization is a great gain, it is the open way to world government."

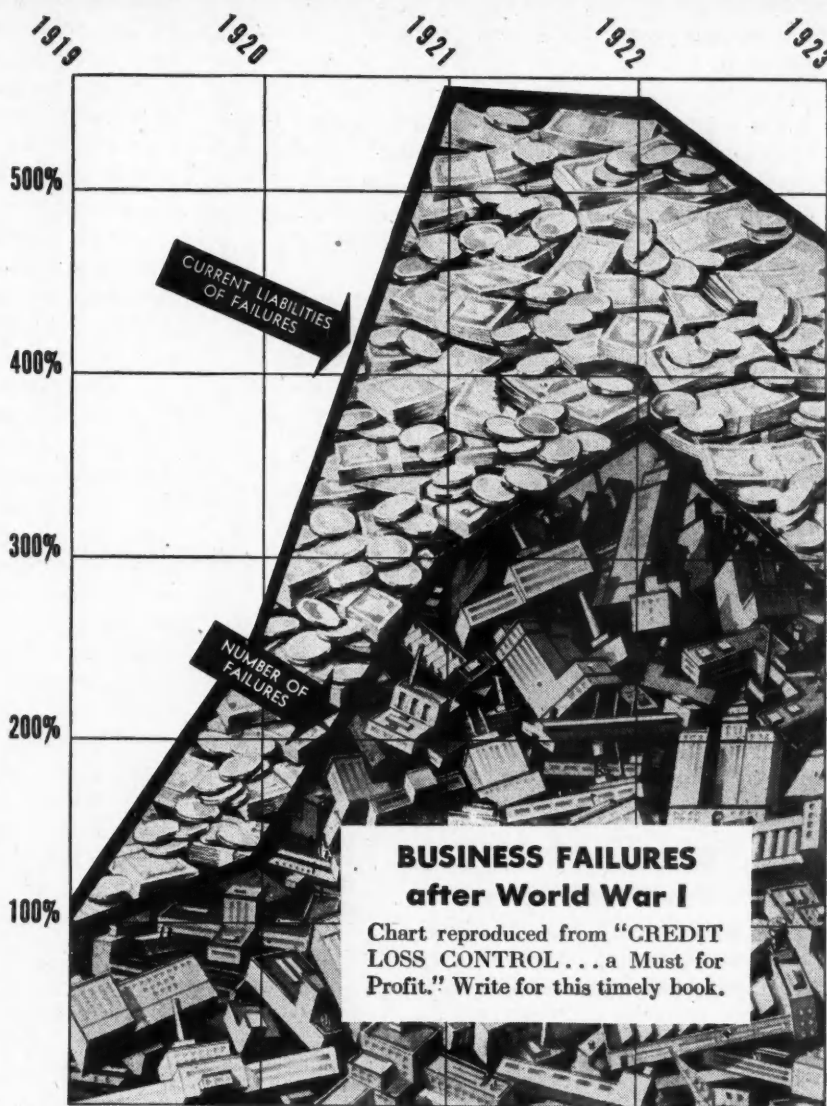
C. The short-term program: this is the immediate period wherein we must strive through channels of diplomacy and other day-to-day international contacts to remove or at least to lessen the tensions that exist in so many parts of the world.

"In lessening tensions we do not need to adopt a policy of appeasement in order to be patient, conciliatory, and understanding. A successful short-term program is indispensable if we are to have the political climate in which the intermediate and long-term programs can thrive and become strong.

"If, after 18 months or two years, the tensions in international relations increase, the time will have come for active measures of defensive relocation and re-organ-

(Continued on page 34)

If History Repeats...Will Your Losses Jump?



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zation. The timetable is set by the existence of the atomic bomb.

"If, after two years, diplomacy, public and private, have failed to prevent a deterioration of world relations, then those nations that can unite should do so, leaving the way open for broader federation later on.

"The promotion and correlation of this three-way, triple-decker program can hardly occur, even though there be widespread desire for it by individuals, agencies, and associations, as long as they work apart from one another.

"Something new is needed, something that will give the chance for voluntary coordination of effort. We need a set-up that might be perhaps a combination of the kind of thing done by the Committee on Economic Development and the Office of Strategic Services—research, education and action. . . ."

Legal Phases of Guarantees

(Continued from page 7)

credit or become surety for others, when by so doing it is reasonably expected that the business in which the corporation is engaged will be advanced by such appropriate means. On the other hand, some courts have held that the corporation does not have the power to become a guarantor merely to help out a customer or to keep the good will of a customer.

Yet it has been held that a corporation may guarantee the obligation of another when such a transaction is necessary to procure the payment of debt due it, or when by such means it pays a debt which it owes. Furthermore, the courts have definitely recognized the validity of a guarantee by a corporation which was organized to take over a partnership business, and in taking over the assets guaranteed the debts of the partnership.

There is another case where the law has been liberal with reference to corporate guarantees. This is the case of a guarantee by a parent corporation of the debts of its controlled subsidiary corporation. However, it is not sufficient that the control of both corporations is in the same individual (275 Fed. 416). And it has been held that the fact that the stockholders of the two corporations were practically the same does not authorize the one corporation to guarantee the contracts of the other (124 La. 193).

Systems in Business

(Continued from page 20)

usually undertaken at the time of the annual audit. The results are used for the purpose of informing the management of the general condition of the customers' accounts, and for estimating the bad debt reserves usable on balance sheet statements and for adjustment of year-end profit and loss statements. If no further use is made of the aged account schedule, the credit department and the over-all management are missing a valuable opportunity to check upon the credit department's work.

If a firm has a large number of customers whose

accounts are more or less comparable in amount, analysis of its aged accounts can be made on the basis of the amounts involved. Where, however, there are some accounts of much greater amount than the general run, and particularly if these large accounts appear in the delinquent columns, the analysis should be made on the basis of the number of accounts, as the relative weight of the large accounts might distort the picture presented.

A firm pursuing sound credit and collection policies will have a few delinquent accounts that will eventually develop into bad debts, and a larger number of delinquencies that represent good but slow-paying accounts that are currently past-due but will eventually pay their obligations. Theoretically, there should be a "sound" distribution of accounts among the several age categories for any firm, but there is no way this "sound" distribution can be calculated in advance, as can be done in the case of bad debts and collection ratios. But comparison by any one firm of its age distribution of accounts with those of other firms in its line will indicate whether its credit and collection policies are stricter or more lenient than those of the other firms, and this information may provide a valuable guide to credit department policy. In this connection, some trade associations and credit men's groups perform a worthy service for their members by collecting and tabulating the annual aged account schedules of their members, and then distributing the results, in comparative percentages, to these members. Trend analysis of the distribution of aged accounts—comparison of the current distribution with those of prior years—will indicate whether a firm's credit or collection policies have been changed over the period of the comparison.

Many credit managers have the accounting departments of their firms prepare monthly aged account statements for them. The percentage distributions of these monthly schedules are, for many firms, comparable month by month—not merely with the corresponding month of preceding years as in the case of monthly collection ratios. In such cases a credit department does not have to wait for the passing of a year before it can ascertain the results of a change in credit or collection policy, or whether there has been some unintentional change of policy; the results manifest themselves as shifts of the percentage distribution of accounts as between the high delinquency columns and the low delinquency columns with scarcely any lag. Where the customers of a firm are themselves engaged in a seasonal line, some or even many of them may manifest a seasonal variation in the promptness of their payments. They may tend to become somewhat delinquent before and during the early part of their seasonal selling period, and clear such delinquencies in the latter part of their selling period. If this is the case, the percentage distributions of the monthly aged account schedules of the selling firm will show a corresponding seasonal variation. This circumstance would have to be taken into account if the credit manager of the selling firm were trying to check his credit and collection policies by comparison of his monthly aged account schedules.

Wholesalers Show 9% Gain in October; Jewelry High on List

Reports from the wholesalers throughout the country indicated that sales were 9 per cent higher for October, 1945, than for October, 1944, and were 16 per cent higher for October than for the preceding month of this year, according to an announcement released recently by J. C. Capt, Director of the Census. For the first 10 months of 1945 a small (2 per cent) gain was revealed over the like 10-month period of 1944. These data are based upon the reports of 2,492 establishments, representing most kinds of business in the wholesale field.

This monthly study is conducted jointly by the National Association of Credit Men and the Bureau of the Census.

Sales of automotive supplies and jewelry, on the wholesale level, were up substantially—29 per cent and 28 per cent, respectively—for October, 1945, over October, 1944. A 20 per cent increase was recorded for tobacco and its products, and gains of 15 per cent were registered by electrical goods wholesalers, liquor departments of other trades, and wholesalers of groceries and foods (except farm products). Wholesalers of metals showed the only substantial decrease in dollar volume (19 per cent) on a year-to-year comparison. For the first 10 months of 1945, surgical, medical, and hospital equipment and supplies showed a sales gain of 19 per cent over sales of the like period of 1944, and wholesalers of automotive supplies noted an 18 per cent rise. Based on the same year-to-date comparison, dollar volumes rose 8 per cent for wholesalers of industrial chemicals and specialty lines of groceries and foods, except farm products, and a small (3 per cent) increase was revealed for wholesalers of general hardware.

Inventories, in terms of dollars based on cost values, at the close of October, 1945, were 7 per cent higher than those of October, 1944. Percentage changes varied, however, among the trades, from a gain

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of 49 per cent for electrical goods to a decrease of 25 per cent for wholesalers of coal. Stocks held by wholesalers at the close of October, 1945, were up from a year ago for tobacco and its products (28 per cent), machinery equipment and supplies, except electrical (13 per cent), and drugs and sundries (10 per cent). Stocks of furniture and house furnishings increased 21 per cent over the preceding month this year, and drygoods inventories rose 6 per cent.

The stock-sales ratio for 1,554 wholesalers was 114 for October, 1945; 116 for October, 1944, and 124 for September, 1945. Wholesalers of paper and its products, with a 4 per cent rise in sales for October, 1945, vs. October, 1944, and stocks down 7 per cent, showed a stock-sales ratio of 98 this October as against 103 for October, 1944. General hardware wholesalers showed an 11 per cent gain in sales and an 11 per cent increase in inven-

tories, reflected in a stock-sales ratio of 148 for this October compared with 145 for October, 1944. For October, 1945, wholesalers of lumber and building materials noted sales up slightly (3 per cent) from October, 1944, and stocks off 8 per cent, resulting in a stock-sales ratio of 51 as against 66 in October, 1944. Twelve of the 33 kinds of business in this survey showed higher stock-sales ratios for October, 1945, than for October, 1944.

Collections on accounts receivable were 5 per cent higher for October, 1945, than for October, 1944, and 8 per cent higher in October than in September this year. The collection percentage for October, 1945, was 131; for October, 1944, 125; and for September, 1945, 121. Accounts receivable on October 1, 1945, were approximately the same as for October 1, 1944, but increased slightly (3 per cent) from September to October this year.

to straighten out. There is no reason to believe today's cycle will differ greatly. It is my belief that OPA as an agency will be junked when the present act runs out June 30, 1946. Such duties as may still seem necessary will be delegated to other government bureaus.

Nobody will question the need for some sort of price controls which OPA has supervised. But OPA has created so many enemies by its mistakes and its manner of enforcement that I doubt whether it can survive.

EDWARD KANDLIK,

The Chicago Sun:

Recent high levels of securities prices have made the procurement of new or additional capital for corporations much easier. As a result, we have seen a newly formed automobile company raise \$20,000,000 through a stock flotation while a great many small radio receiving set manufacturing firms have greatly enlarged their capital through stock sales.

This may be of considerable import to credit men. All of the radio firms that are now set up to manufacture sets may not find a market adequate to absorb their entire output over more than a limited period. As a result they will compete and some will go under, and those not necessarily the newcomers.

With such conditions it might be well to watch for changes in the competitive position of the companies to which you advance goods so that you are not caught if they should be unable to keep abreast of the new competition.

PHILIP HAMPSON,

The Chicago Tribune:

Labor holds the key to whether the automobile industry will be able to continue production during the next few months. Strike votes indicate that labor intends to enforce their demands for 30 per cent increase in pay before the war. The automobile industry and related lines give employment to about six and one-half million people. Comment in Detroit is that the wealthy automobile companies are in a better position to withstand strikes than are the unions that are short of funds.

Financial Editors Tell Chicago "C" Men Their Opinions on Business Outlook



Chicago: Financial editors of Chicago daily newspapers participated in a "Financial Merry-Go-Round" at the regular monthly meeting of The Chicago Association of Credit Men at the La Salle Hotel, Wednesday evening, Nov. 14. William L. Ayers, *Finance Magazine*, officiated as moderator. He explained to the audience that each of the speakers was a trained expert in his particular line and that each one had been asked to speak for three minutes on the subject in which he specializes. Following the speeches, the editors took part in a panel discussion.

The meeting was in charge of the Meetings Committee of which A. L. Jones, Armour & Company, is the chairman.

Following is a condensed report

of the remarks of each of the speakers:

HERMAN GASTRELL SEELY,

The Chicago Daily News:

The outlook for retailing is for more shortages until the middle of 1946 when production and retail stocks will get back to something like prewar normal. Along about the time the next "Financial Merry-Go-Round" in 1946, we should be talking about the biggest volume of Christmas trade on record — perhaps 30 per cent above 1945.

Shortages will be due in some cases to labor troubles and in others to OPA regulations and ceilings controls.

It took more than a year after World War I for the labor situation

DAVID DILLMAN,
Chicago Journal of Commerce:

Fundamental government controls which will outlive wartime regulations include:

Money — Always the government's prerogative as far as currency is concerned, business' more important medium of exchange, deposit money, is now under government control and the easy money policy touches every business transaction. Ballooning the banking base to accommodate a \$300,000,000,000 national debt suggests an ultimate adjustment in the price structure that would frustrate a much greater regulator than OPA.

Taxes—The manner in which unprofitable transactions are now being rushed and profitable ones deferred suggests the innumerable effects of taxes upon business.

Labor Relations — Government's labor policy places every emphasis upon workers' bargaining power. To increase bargaining power of employees, government protects their right to organize, picket, boycott and bargain collectively. Administration of the federal law favors national union organizations which, established as a majority, neglect minority rights, as does the closed shop, union shop and maintenance of membership clauses.

Statutory Regulator Agencies—Bureaus such as ICC for transportation, FCC for communications, SEC for finance, expand and multiply. Some day there may be one for insurance, which is following finance into federal regulation. Pressure of public opinion and competitor clamor expand influence of existing agencies as witness the pressure on industrial corporations to use competitive bidding on new securities such as is required of railroads and most utilities.

ROBERT B. VANDERPOEL,
Chicago Herald-American:

Inflation is here.

Inflation can be stopped.

In terms of the cost of living we have had 30 per cent price inflation from the 1935-1939 level. In terms of wholesale commodity prices we have had 5½ per cent inflation from the 1926 level, the goal of the 1933-34 reflation program, or 34 per cent from the prewar September, 1939, level.

Inflation is a man-made economic phenomenon and man can halt it. But to do so he must act with economic intelligence.

If we are honestly intent upon halting inflation, the program we should be following with vehemence today includes:

1. Increasing production. We should be lengthening, not reducing the work week.

2. No wage or salary increases except as justified by increased pro-

duction or because of gross inequities in present rates.

3. Tightening rather than easing of credit.

4. No foreign loans except those necessary to keep people from starving or dying from exposure.

5. Drastic reductions in government expenditures.

6. No more cuts in taxes until the danger of inflation is ended.

(Continued on page 41)



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NOVEMBER 28, 1945

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BUSINESS CLASSIFICATION	INTER-STATE TRADING	DATE OF LAST ORDER	QUANTITY RECEIVED	PRICE PER UNIT	TOTAL QUANTITIES SHIPPED	DATE OF SHIPMENT	AMOUNT DUE	DATE DUE	STATUS	REMARKS	COUNTRY
CHICAGO 1113-495 Hardware	Yes	9-45	4600	410		5-10-30	x \$1400.00		x	Unfilled	
	Yes	11-45	890			2-10-30	x		x	15	
	Yes	10-45	705	140		2-10-30	x		x		
	1945	11-45	1784			2-10-30	x		x		
MILWAUKEE 1114-196 Fiberglass Glass		1936 10-45	945	175	45	2-10-30			x	15	
	Yes	11-45	400			30			x		
DETROIT 1114-348 Electrical Auto &		1944 10-45	3900	450	930	2-10-30			x	30	No change
	Yes	11-45	1400	1100		2-10-30			x	30	
INDIANAPOLIS 1114-207 Hardware		1942 11-45	1790	515		2-10-30	x		x		
CLEVELAND 1114-971 P.V.L. Fiberglass		1945 10-45	750	400		2-10-30	x		x	40-80	Slower
	Yes	11-45	840	125		2-15-Prox			x		
PITTSBURGH 1114-987 Ind S Metal		1944 11-45	2700	700		30			x	30	
	Yes	8-45	1445			2-10-30			x		
TOLEDO 1114-040 Glass P.V.L.		1942 11-45	850	855		2-10-30			x	10	Improving
	Yes	11-45	1490	850					x		
NEW YORK & 1114-043 Hardware Ind S		PHILADELPHIA		8400		2-10-30	x		x		Improving
	Yes	11-45	4575			30			x		
	Yes	7-45	895		8405 975				x		

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NEWS ABOUT CREDIT MATTERS

A section devoted to
Credit Association affairs

December, 1945

Copy deadline
10th of Month

Los Angeles Women Observe 25th Year At Birthday Party

Los Angeles: Twenty-five yellow rosebuds from the New York Credit Women's Club, telegrams from Miss Guth, Chairman, and Miss King, member of the National Credit Women's Executive Committee, and a lovely letter from Marie Ferguson, its Secretary, added the finishing touches to a perfect evening when the Los Angeles Credit Women's Club celebrated its twenty-five years of existence on the evening of November 5.

While no definite date has ever been fixed as a birth date of this club, as it began to function as a Reception Committee for women in the fall of 1920, the month of November was chosen in which to hold the party, as the club has so much for which to give Thanks.

President Roberta Mansfield introduced as the first woman ever to attend a meeting of the Los Angeles Credit Men's Association, Miss Mary Belrose, who, has been an interested and active member of the group for this quarter of a century. In addition to Miss Belrose, as members of the first organization group, were present Miss Florence E. Banks, first chairman, and Miss Clara M. Harrison, second Chairman. Mrs. Florence Rollins Rangsdal, the third Chairman, and Maybelle Barnett, one of the original seven, were also present, as was Miss Emma L. Brugmann, who had served as Chairman at one time, and seven past Chairmen or Presidents of a later era: Clara Schroeder, Frances Beaumont, Cecilia Smeade, Alma Appel, Lucy Kyriess, Vivien Barton, Florence Fall and Bess Marshall.

Honor guests were the officers and a number of the members of the Board of Directors of the Los Angeles Association and its genial Secretary-Manager, Mr. A. D. Johnson.

The program, arranged by Marjorie Wright, Vice-President in charge of entertainment, and one of the early members of the club, consisted of a quiz contest and a talk. Edith Paonessa, gowned as a judge, with her clever repartee, gave a new interpretation of the words, "Quiz Master." (St. Louis women please note

(Continued on Page 42)

National Board of Directors Holds Three Day Session in Cincinnati

On November 20th the Board of Governors of the Federal Reserve System announced Amendment No. 19 to Regulation "W" to become effective on December 1st. The Amendment effects Sections eight and ten. In Section eight a new paragraph is added to cover demonstrator automobiles. The Amendment to Section ten covered the Regulation's Government installment credit contracts.

A.B.A. Economist Warns Baltimore "C" Men of Inflation Dangers

Baltimore: A stirring address by Dr. William A. Irwin, an economist of the American Bankers Association, was enthusiastically received by the Baltimore Association of Credit Men, at their monthly business meeting, on Tuesday, October 30, 1945.

Dr. Irwin brought with him, from New York, his sage counsel about many economic matters, which have a direct bearing on credit management. In dealing with his subject, "The Inflation Scare Again," he determinedly emphasized that it was necessary to thwart the threat of inflation if we are to survive economically. He stated, with great acumen and skill, that it can be avoided by:

- (1) Continued price control until production catches up with demand.
- (2) Intelligent restraint on the part of labor.
- (3) Statesmen-like handling of the national debt.
- (4) The practice of capitalism by those who say they want to preserve it; that is, free enterprise and free competition.
- (5) Continued buying restraint by the American people until goods become plentiful.

He injected the key-note of modern economic thinking by saying that the American people must have confidence in our monetary system.

Limited Business Meeting to Take Place of National Convention in 1946 Because of Hotel Conditions

A three day meeting of the National Board of Directors of the Association was held in Cincinnati on November 29th, 30th, and December 1st. President Simpson presided at the sessions of the Board. The three Vice-Presidents and twenty of the twenty-four National Directors were in attendance. In addition to the officers and directors, the chairmen of most of the important National Committees, the four officers of the Secretarial Council and several past officers and directors of the National Association participated in the deliberations.

Past National President George Gruen acted as Chairman of the local committee in planning for the meeting. President Paul Smalley and Secretary Harry Voss, as well as many others of the Cincinnati Association membership, were most helpful in making local arrangements. On Thursday evening those present at the National Board Meeting attended a dinner meeting of the Cincinnati Association, at which the speakers were President Simpson and Executive Manager Heimann.

During the three day sessions every phase of Association activity was carefully studied and fully discussed by the Board. Among the subjects given special attention were the following:

1—Plans for continuance of the very fine membership program which has been carried on so successfully.

2—The recently announced changes in regard to Credit Interchange operations designed to improve the operations and coverage in that branch of our services.

3—The proposed expansion of the Association's educational activities in accordance with the plans submitted to the Board by the recently appointed Director of Education.

Careful consideration was also given to the reports submitted by the Subcommittee appointed some months ago to

study the formation of a Credit Research Foundation for the purpose of further promoting the service of the Association to its membership. The Board gave unanimous approval to the establishment of a Research Foundation, with some changes from the type of Foundation originally considered. As approved, membership in the Foundation will be open to all members of the Association, and the Foundation will function as a department of the National Association. The committee will continue its study and will report again to the Administrative Committee of the National Board at its meeting scheduled for February. In the meantime more complete information regarding this Committee's proposals will go to the local Associations in order that any decision reached may be based upon full consideration and upon the desires of the local organizations.

After a thorough survey of the travel and hotel situation, the Board voted reluctantly to again postpone for a year the Convention which had been scheduled to be held in New York City in May, 1946. This survey covered not only New York City, but other cities throughout the country, and disclosed little likelihood that any city would have adequate hotel accommodations by May of 1946 to properly care for a convention the size of ours. The Board felt, however, that since a convention could not be held, a business meeting should be held with a limited registration. The plan, therefore, is to hold such a business session at French Lick, Indiana for one or two days during the week of June 24, 1946. At this meeting national officers and directors will be elected and other matters having to do with the general business activities of the Association will be discussed and acted upon. It is probable that registration at that meeting will need to be limited to a maximum of four hundred. Later on the local Associations will be advised more definitely regarding the number of those who can be accommodated and regarding the plan for representation of all local Associations. This plan will be worked out in such a way that all local Associations will be treated equitably and fairly in regard to representation at the business meeting.

Among the resolutions adopted by the National Board at the Cincinnati meeting were the following:

"WHEREAS, our nation is putting forth great effort to return to days of peace and prosperity for all, and preserve our American way of life for which our valiant sons and daughters gave their all so freely, and

"WHEREAS we are facing, as a nation, a tremendous public debt that was courageously and readily assumed by our citizens to insure victory over the foes of civilization, and

"WHEREAS our Government derives the revenue to service the interest and principal payments on this debt in order to maintain its credit, through taxing the transactions and incomes of individuals and corporations, THEREFORE

"THE DIRECTORS OF THE NATIONAL ASSOCIATION OF CREDIT MEN, meeting in Cincinnati, Ohio, this 30th day of November, 1945, desire to point out to our Congress, the Representatives of all of our people, a specific and inequitable situation in our business structure which, if permitted to continue, may lead to grave consequences in loss of confidence in democratic government and cost our government millions of dollars in deserved taxable revenue, specifically pointing out that we refer to the exemption from Federal taxation of so-called Co-operatives, which in their operations compete with private taxpaying business, reported to the Treasury Department in 1943-1944, was reputedly between four and six billions of dollars, and

"WHEREAS, this Association has no criticism of, or quarrel with Co-operatives as such under the American system of free enterprise under conditions of absolute equality, tax, or otherwise, THEREFORE

"Be it resolved by the Directors of the National Association of Credit Men that we are opposed to this inequality and discriminatory tax exemption and this injustice to individual and corporate taxpayers, who are maintaining the credit and financial strength of our nation, and urge the Congress to correct this inequality promptly and effectively.

"WHEREAS, the final successful conclusion of World War II has left the economy of many countries in a chaotic condition, and

"WHEREAS, the Philippine Islands are among the greatest sufferers from the ravages of war, and

"WHEREAS, the heroic people of these islands demonstrated their loyalty to our nation, their brave sacrifices for the cause of the United Nations, which we, in these United States, acknowledge with deep and abiding appreciation,

"Be it therefore resolved that the National Association of Credit Men desires to express to the State Department of the United States of America its hearty endorsement of any measures of collaboration with the peoples of the Philippine Islands, and that the Association encourage its members and business generally to grant credit terms on a liberal time basis to assist their return to prosperity and well being, and

"That a copy of this resolution be sent to the Manila Association of Credit Men."

Credit Fraternity Holds Annual Meet

New York! The annual meeting of the members of the Credit Men's Fraternity was held in the offices of the New York Credit Men's Association on December 11th, at which time Directors were elected to fill vacancies on the Board. Plans were adopted for the continuance of the work of the Fraternity on an active basis during the forthcoming year.

Large Audience Greet Henry H. Heimann at Oklahoma City Talk

Oklahoma City: Two hundred credit and business executives heard Henry H. Heimann, executive manager, National Association of Credit Men, address the membership and guests of the Oklahoma wholesale Credit Men's Association at Oklahoma City on November 20th in the Colonial Hall of the Huckins Hotel. Retail credit managers were honored guests at a joint annual meeting.

Increased interest in credit association activities were evidenced by the large and attentive group who heard Mr. Heimann's interesting and informative discussion of credit problems of the post war period. Many credit managers and executives remained after the meeting to discuss their problems with Mr. Heimann personally and to visit with him and renew old friendships.

Proceeding Mr. Heimann's address, H. Sherman, General Electric Contracts Corporation took charge as master of ceremonies and presented a program of singing and entertainment.

D. P. Hadley, Crane Company, presided and E. E. Barbee, Retail Merchants Association, introduced Mr. Heimann. Officers of the Oklahoma Wholesale Men's Association and the Retail Credit Men's Association were guests at the speakers table.

Credit Group Formed By Green Bay Paper Mill Representatives

Green Bay—Credit executives in the paper industry located in the Fox and Wisconsin River Valley met on November 13 at Hotel Menasha in this city for an organization meeting. Vern S. Ames, Kimberly-Clark Corp. was named permanent chairman. It was decided that future meetings would be held approximately every sixty days and that these sessions would be scheduled in different cities. The representatives of the mills in the city where the meeting is to be held are to assume the responsibility for the program and discussion.

E. W. Wylie of the Container Corp. of Chicago led a discussion on the Credit Policies in the Reconversion Period. Victor Eggerding, Gaylord Container Corp., St. Louis, led a discussion on Credit and Public Relations problems.

Chairman Ames will soon announce the committee to have charge of the next meeting of this group.

Have You Ordered Your CREDIT MANUAL?

7. A great campaign in favor of saving and against unnecessary spending by the public—again until the war against inflation has been won.

8. Support of the OPA and price ceilings.

9. A willingness on the part of business to act in a statesman like manner, forego price increases, even at the expense of profits until the enemy has been conquered.

Bridgeport Hears Talk About Management Plans

Bridgeport: The Bridgeport Association held their second meeting of the season on Wednesday, November 14 at the Stratfield Hotel. The speaker of the evening was Col. R. E. S. Deichler of American Air Lines, Incorporated. Col. Deichler gave a most interesting talk on the subject of "MANAGEMENT IN THE ARMED FORCES." The open forum after Col. Deichler's talk brought out many interesting questions.

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Federal Report Shows Number of Bankruptcy Cases Still Decline

A report issued on November 14 by Edwin L. Covey, Chief of the Bankruptcy Division of the Administrative Office of the United States Courts, shows that the first quarter of the current fiscal year, from July 1st, 1945, to September 30th shows a still further decline in the number of bankruptcy cases filed, the report indicating a total of 2451 cases compared with 3524 for the corresponding quarter in '44 and as against 5919 for the first quarter in 1943.

The filings by months during the calendar year may be of interest. They were as follows:

January	1001
February	1031
March	1091
April	1003
May	1037
June	970
July	863
August	811
September	777

Comparative figures for corresponding quarters during the last year and this year are as follows:

	1944	1945
January 1, to March 31,...	4427	3123
April 1, to June 30,.....	4186	3010
July 1, to September 30....	3524	2451

The report indicates that out of a total of 12862 cases filed in the fiscal year of 1945, the Fifth District including Alabama, Florida, Georgia, Louisiana, Mississippi and Texas had the largest total with 2429. The Second District including Connecticut, New York State, and Vermont had the second largest total with 2160. It is also interesting to know that the 1945 fiscal year total 12862 cases compares with the 1941 fiscal year total 56332.

Columbus "C" Men Hear College Dean

Columbus: The newly reorganized Columbus Credit Association held its first dinner meeting at the Southern Hotel November 30th.

Doctor Emil Leffler, dean of Albion College, Albion, Michigan, was the speaker. Doctor Leffler's subject was "We Look Ahead."

An added feature was the first public presentation of a colored motion picture "This is Columbus" sponsored by James Rhodes, Mayor of Columbus, who was present at the meeting.

The film shows the principal points of interest in and around the city, also interesting shots of the manufacturing processes of several leading Columbus industries.

Frank Hax Welcomed Back to Old Desk at Dayton A.C.M. Meeting

Dayton—Frank Hax has resumed his old position as Secretary of the Dayton Association of Credit Men after being released from the Armed Service. Mr. Hax reported to his desk on November 15.

A welcome home meeting of the Dayton Association of Credit Men was held at the Engineers Club on November 28, when an enthusiastic attendance showed their appreciation of the return of Mr. Hax to the Dayton Association staff.

Henry Heimann in Annual St. Louis Visit

St. Louis: Henry H. Heimann made his annual visit to the St. Louis Association of Credit Men on December 15th, the occasion being the annual Christmas Meeting and Dinner Dance held at the Coronado Hotel. As Mr. Heimann was for a number of years a resident of St. Louis, having attended the St. Louis University, and as his mother and sister and brother still reside here, his annual visit is the occasion for a pleasant reunion with many old friends.

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Los Angeles Women Observe 25th Year At Birthday Party

(Continued from Page 39)

we had planned this part of the program long before we read of your celebration).

The high-light of the evening was a two part discussion of the subject, "What Lies Ahead," by Fred Carpenter, National Director for Southern California, and his charming wife, Marian. While Mr. Carpenter told of the advancement that has been made by women in all lines of business during the past twenty-five years, he gave some very pointed advice as to their conduct in the future, adding to the three "C's", three "I's": Initiative, Imagination and Intuition. Mrs. Carpenter told of her experience as a Secretary, but emphasized the fact that women's real success lies, not in the field of business, but in the home as a mother and home maker.

At the close of the program a cake, decorated in pink and silver, with white tapers and silver ribbons as a background, was cut and served by President Mansfield, assisted by the men present.

President Kurt Koebig, of the Los Angeles Association, closed the meeting with wishes for the continued growth and success of the Women's Club of our great Association, the one that has done so much to promote the various activities now permeating the National Association, the Association that has taken the lead in so many new ideas, the first to recognize the value of women as members.

N. Y. Credit Women Cut Cake at 20th Birthday Party

New York: The Credit Women's Group of the New York Association of Credit Men celebrated its 20th Anniversary with a delightful dinner party at the Louis Sherry Cafe on December 6th.

Six past presidents of the New York Credit Women's Group were introduced at the dinner as well as President Earl Felio of the New York Association and members of the Board of Directors of that organization.

The surprise of the evening came when a large birthday cake was wheeled in on a table and Miss Lillian Guth, as Chairman of the National Credit Women's Executive Committee, was called upon to cut the first slice of cake.

Entertainment during the dinner included specialty dances from the Arthur Murray organization, and Sylvia Barry, radio singer. After the dinner, the celebrants enjoyed dancing to the Sherry's orchestra. A total of 108 made reservations for this big anniversary party.

News of the Credit Womens Groups

Minneapolis: At their November dinner meeting, Minneapolis Credit Women heard George Grim of the Minneapolis Star-Journal and Tribune speak on his experiences as a War Correspondent in Europe. Mr. Grim's eye-witness accounts of important events during the last days of the war formed a fascinating talk which was greatly enjoyed by the large group which attended the dinner.

Bulletins and publications of Credit Women's Clubs of other cities were displayed at the meeting.

Cleveland: Frank Wharton, personnel & production manager of Munson Bag Co., and instructor at Fenn College chose as his subject "Mind Your Business" for his talk to the Cleveland Credit Women's Club at their regular November meeting which was held at the Continental Cafe on November 13. Thirteen members of the Club attended the Regional Credit Conference held in Pittsburgh November 9 and 10 and stayed over to attend the Credit Women's Branch on November 11.

St. Louis: For the first time in the history of either club, the Credit Womens Club of St. Louis and the Retail Credit Womens Breakfast Club held a joint meeting on October 18 at the Hotel DeSoto. The speaker was Mrs. Alice Budde, Assistant Program Director of the American Red Cross. Mrs. Budde was in charge of recreation at enlisted men's clubs with the 15th Air Force, and spent fifteen months in Italy. On November 29 the Credit Women's Club had a "Know Your Association" night, and Victor C. Eggerding, Credit Manager, Gaylord Container Corporation, and a past president of the St. Louis Association of Credit Men, was the speaker.

Denver: A 50-year-old precedent was broken by the Rocky Mountain Association of Credit Men when they elected Miss Maude Sonne the first woman member of the board of directors. Miss Maude Sonne, as credit manager of the Isbell-Kent-Oakes Dry Goods Company, has been very active in the Denver Credit Women's Club. She served as the club president in 1944.

Chicago: The Credit Women's Club of Chicago held their November meeting, Tuesday evening, November 13 at Huyler's Restaurant. The speaker was Ralph A. Colorado, Director of Foreign Service of the Hitchcock Publishing Company, and his subject was, "The South American Viewpoint." Mr. Colorado has just returned from a two months' visit to the principal countries in Latin America and gave a first-hand report on conditions there.

Detroit: The Credit Women's Club was well represented at the Michigan

State Conference held at the Rowe Hotel, Grand Rapids, Michigan, November 2nd. We enjoyed having as our guest speaker at the November 20th meeting, Dr. Wilhelmina Dunning, who is connected with the Experimental Cancer Research Laboratory, Wayne University.

Amarillo: The Credit Women's Club entertained their employers the evening of November 6 at the Blackstone Hotel. Twenty-seven credit men and women enjoyed an informative speech given by Tom Seay, County Attorney of Potter County, who reviewed the points of the Hot Check Law in Texas.

Denver: The regular monthly meeting of the Denver Credit Women's Club was held November 19 at the Blue Parrot Inn. Following the business meeting conducted by the president, Miss Mary Elliott, of Spitzer Electrical Company, an interesting talk on "High Lights of the San Francisco Conference" was given by Mrs. Allen Beck.

Kansas City: The Credit Women's Club of the Kansas City Association of Credit Men held its regular monthly dinner meeting October 10, 1945, at the Business and Professional Women's Club Room. A very interesting and instructive talk was given by Mrs. Helen Craig, who is associated with The American Legion, on the G. I. Bill of Rights. There were thirty-seven members in attendance."

San Francisco—The Credit Women's Club, of Credit Managers Association of Northern and Central California, presented an interesting skit at their November 1st meeting entitled "Credit Now and Then." The skit presented a scene located in the office of a San Francisco wholesaler at present day and the office of a New York wholesale merchant in previous times. The presentation of the scene was voted one of the best educational features ever shown here.

Binghamton—The Triple Cities Credit Women's Club held its Annual Christmas Party on December 5, the entertainment consisting of a reading, "Little Grey Lamb" by Miss Pat Hogarbone and selections by the North High School Trio. Members of the club bought 50 gifts for distribution.

Boston—The Credit Women's Club of the Boston Association of Credit Men held a dinner meeting on November 8 at the Pioneer Hotel. Mrs. Benjamin F. Kraus spoke on "The Role of Women Today." Mrs. Lillian Haynes Ripley, Assistant Credit Manager Petroleum Heat and Power Company, presented a paper dealing with the use of the telephone in collecting past due accounts.

New England Conference At Providence Hears Economic Discussions

Providence—The Rhode Island Association of Credit Men was host to The New England Credit Conference on Wednesday, December 5. This all day session continued through a dinner session at which Executive Manager Henry H. Heimann was the principal speaker.

The Conference opened promptly at 9:30 with an address of welcome by Sydney J. Hoffman, Franklin Auto Supply Company, and President of the Rhode Island Association of Credit Men. During the morning session addresses were made by William G. Sutcliffe, Dean of the College of Business Administration, Boston University, whose subject was "Prosperity or Depression?"

James A. Strong, Canadian Government Trade Commissioner for New York followed with an address on "Canada's Interest in International Trade." Frederick W. Zander, Assistant Treasurer United States Plywood Corporation of New York and Vice-President of the New York Credit Men's Association, closed the morning session with a talk on "Reconversion Completed, Now What?"

At the afternoon session Albert E. Marshall, President Rumford Chemical Company and Chairman of the New England Council Committee on Research spoke on research in its relation to industry. Rollin Browne, President of the New York State Tax Commission followed with a talk on the "New Federal Taxation and Its Effect on Business." Henry C. Perry, Treasurer of the Heywood-Wakefield Company, Gardner, Massachusetts, spoke on "New Horizons for Credit Managers" and Walter L. Driscoll, a National Director of the Robert Morris Associates, spoke on "Requirements for Bank Credit."

At the dinner meeting William G. Marks, President of the Quebec Division of the Canadian Credit Men's Trust Association, presented "Greetings from the Canadian Credit Men."

Kansas City Speaker Points to Need for Balanced Economy

Kansas City: Dr. T. Bruce Robb, manager of the statistical division of the research department of the Federal Reserve Bank of Kansas City, was the speaker at the November 15th meeting of the Kansas City Association of Credit Men held at the Hotel Continental. Dr. Robb urged the necessity for a good balance between industry and agriculture for states like Missouri, Kansas and Oklahoma. He pointed out that while there is a limit to the wealth that agriculture can produce, the possibility of industry in localities such as Kansas City is practically unlimited.

Chattanooga—A special association known as the Southeastern Par Clearance Organization is now actively at work to promote the change over of state banks in that section of the country to a par payment basis. This organization includes groups in Alabama, Florida, Georgia, Louisiana, North Carolina and Tennessee. The latter state groups are now active in Bristol, Chattanooga, Nashville, Knoxville and Memphis.

Postcard Form Draws 90% Remittances for No-Par Bank Checks

Louisville—Steve Brody, credit manager Enro Shirt Company, Inc. of Louisville is making use of a post card form, which is sent to all of his accounts where remittance checks are not paid at par. The wording of the post card is as follows:

We have just received notice from our bank that we have been charged—
on check received from you.—
Amount—.

It appears that your bank is a "non-par" bank and makes an exchange charge for clearance of checks including those drawn by their own depositors; therefore, we should thank you to favor us with—in postage to permit balancing your account.

If your bank persists in this unorthodox practice, we must ask that you include the amount of the charges for exchange in all future remittances.

Trusting that you appreciate our position.

Very truly yours,

THE ENRO SHIRT CO., Inc.

Mr. Brody reports that he is getting a 90% response from the use of these post cards. Perhaps if a similar post card were used by other companies, the campaign to have all banks in the United States clear their checks at par would be greatly benefited.

Houston Association Gains for 25 Months

Houston: The annual meeting on Tuesday, November 6th listened to a very interesting talk by Lt. Col. Wm. Marvin Hurley, of the Houston Chamber of Commerce.

At the business session six new directors were voted into office.

This Association now boasts of a continuous gain in membership for the past 25 consecutive months with a good prospect for meeting the 1945-46 membership quota before the end of the present fiscal year.

Los Angeles Chapter N.I.C., Draws Large Crowd for First Forum

Los Angeles: The first meeting of the Los Angeles Chapter of the National Institute of Credit was one of the best attended meetings of this organization held in several years. Jim Dean of the Standard Oil Company as President of N. I. C. can well be proud at the response that the Association members gave the N. I. C. The program as arranged by Ken Eastman of the Bailey Hat Company, was well planned and very well received. For the benefit of those that did not get to come to this meeting let us say that instead of trying to find someone outside of our membership to give this program, that we looked to our own 2nd Vice President Lou Ashby to give us a talk that was intensely interesting. Lou was ably assisted by Ralph White, Sales Manager for McKesson & Robbins.

The two gentlemen showed those present how easy it is for a good Sales Manager and Credit Executive to work together. They brought to light that in order to be a good Credit Executive you must be sales minded, and also that if you are to be a good Sales Manager that you must be able to understand the workings of the Credit Department. Lou Ashby and Mr. White worked out three very clever little skits, in which they took all listening on calls that they had actually made on McKesson & Robbins accounts. They showed how they analyzed stocks of merchandise, made recommendations to their customers, and advised prospective purchasers of Drug stores on the volume to be expected as based on population figures and competition in the neighborhood. We can only add that McKesson & Robbins must be a very progressive firm, for Lou and Mr. White in their discussion of "Sales and Credit Good Will Calls" gave evidence that it was not just theory but specific problems of how to promote sales and insure good credit risks.

There were over 70 L. A. C. M. A. members present and after each "skit" all joined in asking questions of the two speakers. No questions went unanswered, and we feel that those present will long remember this most interesting program, for it brought to light many helpful ideas.

Former National Director, Newman Essick, Dies

Los Angeles—Members of the Los Angeles Credit Managers Association lost a good friend and enthusiastic supporter in the death of Newman Essick, who served as an officer of the Los Angeles Association in the early 1900's and also served as a member of the National Board of Directors in 1910-1912.

Insurance Forum Draws Large Audience of N. Y. City "C" Men

New York: The Public Meetings Committee of the New York Association of Credit Men in cooperation with the Insurance Credit Group held a very important forum at the Hotel McAlpin on November 27th, where many problems connected with the application of insurance to credit and business activities were discussed.

The forum was conducted on a panel basis. Eight specialists in different fields of insurance being on hand to answer questions presented from the floor by credit executives. The panel of experts and the subjects they covered were as follows:

SAMUEL ROMOLO, Mgr. Burglary & Inland Marine Depts., *National Surety Corporation*, Burglary;

RICHARD H. TILLOTSON, Asst. Manager, New York Office, *American Surety Company*, Casualty;

PAUL N. FARLEY, Assistant Res. Manager, *London Guarantee & Accident Co. of N. Y.*, Credit Insurance.

NICOLAUS LEWSEN, Supervisor Fidelity Bond Dept., *U. S. Fidelity & Guaranty Co.*, Fidelity;

W. L. FALK, Manager Special Dept., *Royal Liverpool Group*, Fire;

S. DWIGHT PARKER, Res. Vice President, *Springfield Fire & Marine Ins. Co.*, Inland Marine;

STUART MONROE, Agency Assistant, *Equitable Life Insurance Co.*, Business Life;

ASHBY TAYLOR, Manager New York Office, *Fidelity & Deposit Co. of Maryland*, Surety;

The forum meeting was attended by a large group of credit executives who were glad to have this opportunity to learn about insurance as it applies to their own companies and also as a protection for the assets for their customers.

A stenographic report of the Forum will be printed in pamphlet form and will be distributed to members of the New York Credit Men's Association in a short time.

Change in Name of New Jersey Assn.

New Jersey: At the dinner meeting on November 27th the members of the New Jersey Association voted to change the constitution and by-laws so that hereafter the organization will be known as the New Jersey Association of Credit Executives.

This action was taken after considerable discussion, the idea being that the new name more definitely represents the objective of the Credit organization.

Butler "U" Prexy Is Michigan Conference Speaker



(Standing) Charles B. Rairdon, Vice President N.A.C.M. Harry Offer, National Director, and Dr. M. O. Ross, President, Butler University, Indianapolis.

Grand Rapids—Dr. M. O. Ross, President of Butler University, Indianapolis closed the one day Michigan State Credit Conference held at the Rowe Hotel on November 2nd, his subject being "Private Enterprise in Postwar Period."

The Conference opened at 10:00 o'clock, continued through luncheon, and resumed at 2:00 for an all afternoon session. Among the speakers were Ralph A. Haywood, president, Kalamazoo Vegetable Parchment Co., Lee W. Finch, Vice-President Michigan National Bank of Grand Rapids, Dr. Alfred P. Haake, Economic and Business Consultant, Chicago, Austin W. Hyde, State representative, London Guaranty & Accident Company, and Professor Herman Wynn-garden, Dean of the Department of Economics Michigan State College.

It was announced that the 1946 Michigan State Conference would be held at the University of Michigan with the Detroit Association acting as host.

Seattle—R. S. Bennatts has been named Manager of the Collection Dept., The Association Collectors, Inc., the service division of the Seattle Association of Credit Men. He succeeds Corbin. Mr. Bennatts has been manager of the Collection Department since October 1st.

Seattle Association Saves Navy Contractors From Bothersome Rule

Seattle—An excellent example of how NACM's cooperative effort works to the benefit of credit departments is shown in the case of a reversal by Washington of a rule by the Supply Officer of the Puget Sound Navy Yard and also the Navy Supply Depot in Seattle. Both of these Navy offices recently stamped on purchase requisitions "invoices shall not be submitted until all deliveries under this order have been made." The Seattle Association immediately contacted these Navy offices and persuaded them that such methods were not in accord with the usual business practice. In addition to the efforts of the Seattle Association, the Washington Service Bureau contacted the proper authorities in Washington. Apparently these efforts had an immediate effect as the Bureau in Washington passed the word along to discontinue the practice of holding up invoices until complete delivery.

Seattle: The members of the Seattle Credit Women's Club were hosts to their bosses and to the officers and trustees of the Seattle Association of Credit Men at their November dinner meeting. It was their annual "boss night" program which has become a feature with the Seattle Credit Women's Club.

Local Associations Affiliated In NACM

Listed by Cities and Giving Names of Associations, Their Secretaries and Official Addresses

- AKRON, O.—Akron A.C.M.; Secy., Mr. L. G. Hummel, c/o The C. P. Hall Co., 2510 1st Central Tower Bldg.
- ALBANY, N. Y.—Eastern New York A.C.M.; Secy., Marie McDonald, P. O. Box 725 (1).
- ALBUQUERQUE, N. Mex.—Wholesalers' C.A. of New Mexico (Br. of El Paso); Dist Mgr., H. V. Vance, 214 Korber Bldg., or P. O. Box 1334.
- ALLENTOWN, Pa.—Lehigh Valley-Berks C.A., Inc.; Secy., J. H. J. Reinhard, 501-503 Hunsicker Bldg.
- AMARILLO, Tex.—Tri-State A.C.M. (Br. of El Paso); Mgr., George G. Boyd. Send mail to Mrs. L. McGovern, Office Mgr., Capitol Hotel Bldg., P. O. Box 1820.
- ATLANTA, Ga. — Georgia A.C.M.; Sec.-Mgr., Mrs. Carmen A. Dobbs, 508-12 Whitehead Bldg. (3).
- AUSTIN, Tex. — Austin Wholesale C.M.A., Inc.; Secy.-Mgr., Horace C. Barnhart, 1103 Norwood Bldg., or P. O. Box 1016 (6).
- BALTIMORE, Md.—Baltimore A.C.M.; Secy.-Mgr., George J. Lochner, 403-404 Abell Bldg., 5 South St. (2).
- BELLINGHAM, Wash. — Bellingham A.C.M.; Secy.-Treas. & Mgr., W. F. Fisher, 520 Bellingham Nat'l Bank Bldg.
- BILLINGS, Mont.—Montana-Wyoming A.C.M.; Secy.-Treas., M. J. Davies, 439-441 Stapleton Bldg., P. O. Box 1395.
- BINGHAMTON, N. Y. — The Triple Cities A.C.M.; Secy.; Miss Bess R. Havens, P. O. Box 1033-X.
- BIRMINGHAM, Ala. — Alabama A.C.M.; Secy.-Mgr., W. C. Darby, 516 Lyric Bldg. (3).
- BOSTON Mass. — Boston C.M.A.; Secy., Joseph M. Paul, 38 Chauncey St. (11).
- BRIDGEPORT, Conn.—The Bridgeport A.C.M.; Secy., Clinton A. Porter, c/o The Huber Ice Cream Co., 800 Seaview Ave.
- BRISTOL, Va.—Tenn.—Bristol A.C.M.; Secy., Geo. D. Helms, P. O. Box 333.
- BUFFALO, N. Y.—C.M.A. of Western New York; Secy.-Treas., Ira D. Johnson, 50 Court St. (2).
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- LITTLE ROCK, Ark.—Little Rock A.C.M.; Secy., Mrs. Katherine Mosen-thin, 219 Pyramid Bldg., 221 W. 2nd.
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- NEWARK, N. J.—New Jersey A.C.M.; Secy.-Mgr., William H. Whitney, Rm. 800, 11 Hill St. (2).
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6 Weeks' Course in Public Speaking Is Offered in Chicago

Chicago: The Educational committee of The Chicago Association of Credit Men, of which George E. Hedman, Kester Solder Company, is chairman, is conducting a short course in "Effective Public Speaking," starting Thursday evening, November 15 and running for six consecutive Thursday evenings from 6:30 to 8 o'clock. Adolph G. Pierrot is the instructor and the class meets at Association headquarters in the Merchandise Mart. Mr. Pierrot holds degrees from several prominent universities and is an outstanding educator in this particular field.

The class in "Credits and Collections" also conducted by the Educational committee closed with a complimentary dinner to the students Monday evening, November 5, in the Embassy Room at the Morrison Hotel. Chairman Hedman presided and introduced the speakers, H. H. Faulstich, the First National Bank of Chicago, president of The Chicago Association of Credit Men, and Secretary-Manager, James S. Cox.

Petroleum Group to Meet Feb. 11th-13th

Chicago: The annual meeting of the Petroleum Division of the National Association of Credit Men will be held at the Congress Hotel in this city on February 11th, 12th, and 13th. Members are urged to make hotel reservations as promptly as possible for this important meeting. It was found necessary to postpone the meeting originally scheduled for last October until this time on account of crowded hotel conditions.

St. Paul—Henry H. Heimann, Executive Manager National Association of Credit Men, addressed a record attendance at the dinner meeting of the St. Paul Association of Credit Men on Tuesday evening, November 13. As usual, Mr. Heimann presented some very clear and useful thoughts on the economic future of business problems.

Bridgeport Women Celebrate First Anniversary Dec. 19th

Bridgeport: The Bridgeport Credit Women's Group celebrated their first anniversary on December 19th, at the Y.W.C.A. Banquet Hall. This session was devoted entirely to entertainment. Among the special guests on this occasion were Miss Lillian Guth, chairman of the National Credit Women's Executive Committee; Miss Marion King of New York City, a member of the National Credit Women's Executive Committee, and Miss Marie Ferguson of the National Staff, N.A.C.M., Secretary of the National Credit Women's Executive Committee; also Mr. Alford C. D. Bennett, a past president of the Bridgeport Association. These four are now designated as the sponsors for the Bridgeport Credit Women's Group. At the close of the dinner meeting a large birthday cake with a single candle was presented, and it fell to the lot of Miss Anna Mae Dean to blow out the single candle.

Position Open

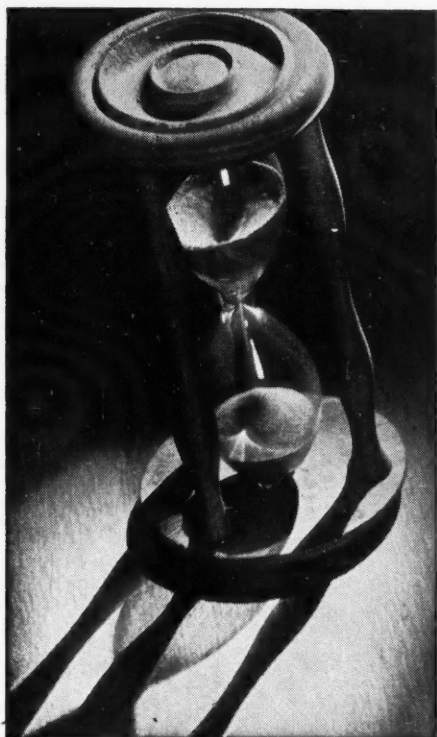
WANTED by national manufacturer of building materials, capable young credit man, college graduate, with some inside and outside experience. Box D-1, Credit and Financial Management.

Position Wanted

Situation wanted as administrative executive. Thoroughly experienced in office management, accounting, credits and collections, taxes, insurance and Federal laws covering labor, social security, salaries and wages. Location not important. Box D-2, Credit and Financial Management.

Credit-Collection Manager, twenty years' experience in manufacturing, wholesale and retail credits. Proven record of achievement. Age 41, married. Prefer Chicago or vicinity. Box D-3, Credit and Financial Management.

Credit-collection executive—age 39, married, college graduate, three years law school, good accounting background, nineteen years diversified experience with national companies, wholesale, retail, budget, and instalment finance. Proven ability in handling personnel and coordinating work between departments. Employed at present, but desires to make a change. Prefer eastern or middle western location. Box D-4, Credit and Financial Management.



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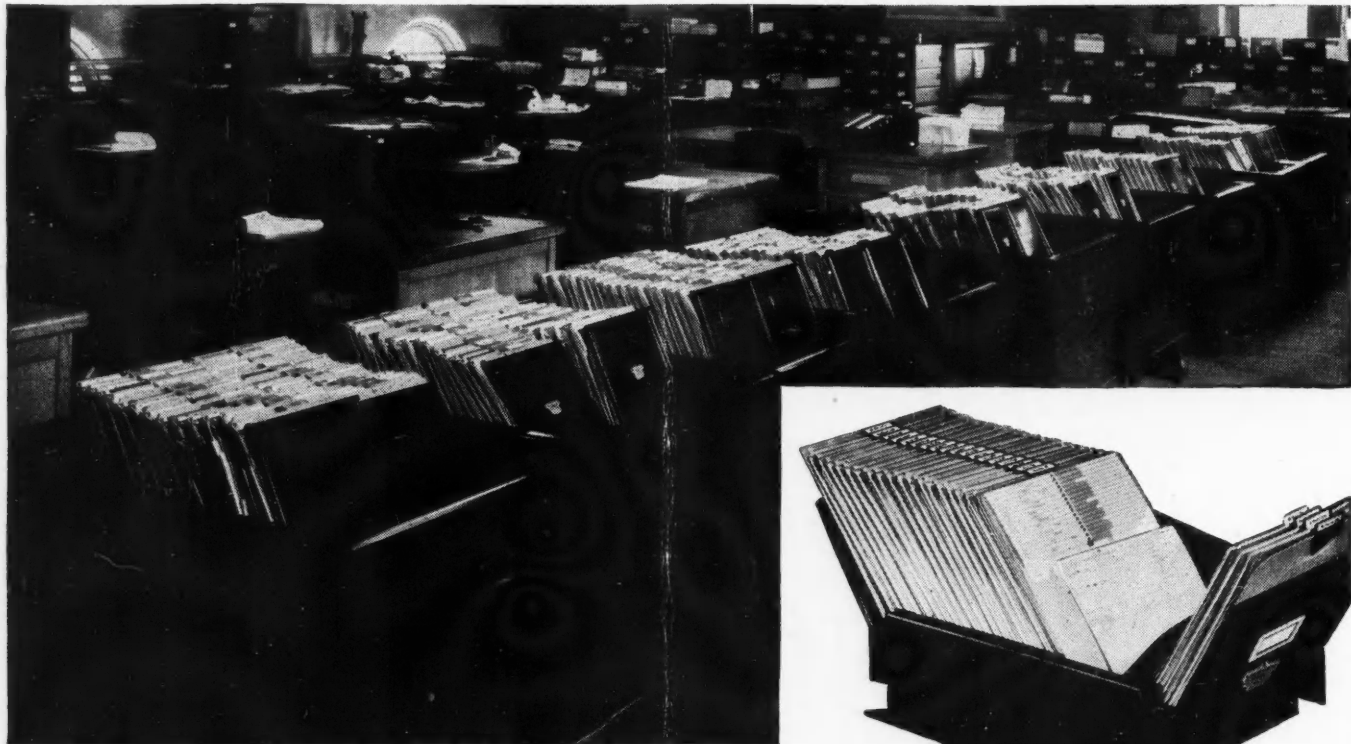
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